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# Ferry Doors Were Probably Open



Survivors of the ferry disaster, wearing donated garments in place of their ruined clothes, arriving Sunday at a mortuary in Zeebrugge, Belgium, to identify bodies of victims.

## Water Entered Through Bow; Toll Put at 135

By Peter Maass  
International Herald Tribune  
ZEEBRUGGE, Belgium — The bow doors of the Herald of Free Enterprise were probably open before the British ferry capsized, officials said Sunday. Fifty-three of the 543 passengers and crew members were killed and 82 are missing and presumed dead.

Belgian government officials and representatives of Townsend Thoresen, the company that operates the vessel, said the doors, which are opened in port to allow cars and trucks to drive onto the vessel, may not have been closed as the 7,951-ton ferry left this port Friday night. It was presumed that water rushing in through the bow caused the vessel to heel over onto its port side within a minute.

# A Sloshing Scramble to Survive

## The Rescued Recall the Melee After the Sea Rushed In

By Francis X. Clines  
New York Times Service  
BRUGES, Belgium — In the aftermath of the British ferry disaster, dozens of survivors wandered the halls of the Novotel here, drying their clothes on the drying rails, weeping into the arms of newly arrived loved ones, fearing for missing family.



A frogman in a dinghy approaching on Sunday the capsized Herald of Free Enterprise's open bow doors, which were covered with nets to prevent the escape of the ferry's cargo.

ON PAGE 5  
Maritime specialists say the roll-on, roll-off type of car ferry becomes unstable quickly if flooding reaches the car decks.  
Tales of heroism abound the stricken vessel seem likely to etch themselves in Britain's national memory.

"I'm so proud of this one," a ruddy-faced man exclaimed out in the hotel's corridor, hugging his daughter with a tearful, wide smile that showed his front teeth had been knocked out on the ferry.

calling his own sloshing scramble to stay alive. "Something was radically wrong."  
Some, like Brian Simpson, a 40-year-old sergeant in the British Army, were at the hotel bar, happily raising a glass to life. "I had just bought a pint and it slid off the table," he said, recalling the moment of disaster in the ferry lounge.

# Shamir Rejects Pollard Probe

JERUSALEM (AP) — Prime Minister Yitzhak Shamir, strongly opposed Sunday investigating the spy scandal involving Jonathan Jay Pollard.

# Iran, Syria Near Crisis In Dispute Over Shiites

By Ihsan A. Hijazi  
New York Times Service  
BEIRUT — A dispute has broken out between Syria and Iran over Iran's support for militant Shiite Muslims who have clashed with Syrian troops enforcing security measures in West Beirut.

# Reagan Implication Feared

Bob Woodward and David Hoffman of The Washington Post reported earlier from Washington: A source close to President Ronald Reagan said Saturday that if Admiral Poindexter does testify, the White House anticipates that he "will say he had direction and authority, directly or indirectly" from Mr. Reagan.

# In Tokyo, Pummeling the Prime Minister

A Japanese housewife hits an effigy of Prime Minister Yasuhiro Nakasone during a demonstration Sunday against a proposed sales tax. The banner on the effigy reads "Liar Prime Minister." The government had promised not to introduce a large indirect tax during last year's election campaigns.

# For Moscow's Youth, It's the Rockers vs. the Lyubers

By Bill Keller  
New York Times Service  
LYUBERTSI, U.S.S.R. — In a jerry-built gymnasium hidden beneath an apartment building in this eastern Moscow suburb, a half-dozen teen-agers are pumping iron.

# Shultz Hopeful On Arms

By David K. Shipler  
New York Times Service  
PALO ALTO, California — Secretary of State George P. Shultz said that enough progress had been made recently in the Geneva arms talks to provide hope that his discussions in Moscow next month can make headway on cutting the number of long-range nuclear weapons in half as well as on eliminating medium-range missiles in Europe.

# Congressional Investigators to Decide On Immunity for Poindexter, North

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# Academics Urge End To Apartheid

JOHANNESBURG — Twenty-seven academics at one of South Africa's most influential universities have urged President Pieter W. Botha to scrap apartheid and commit itself to power-sharing with blacks.

# LATE NEWS

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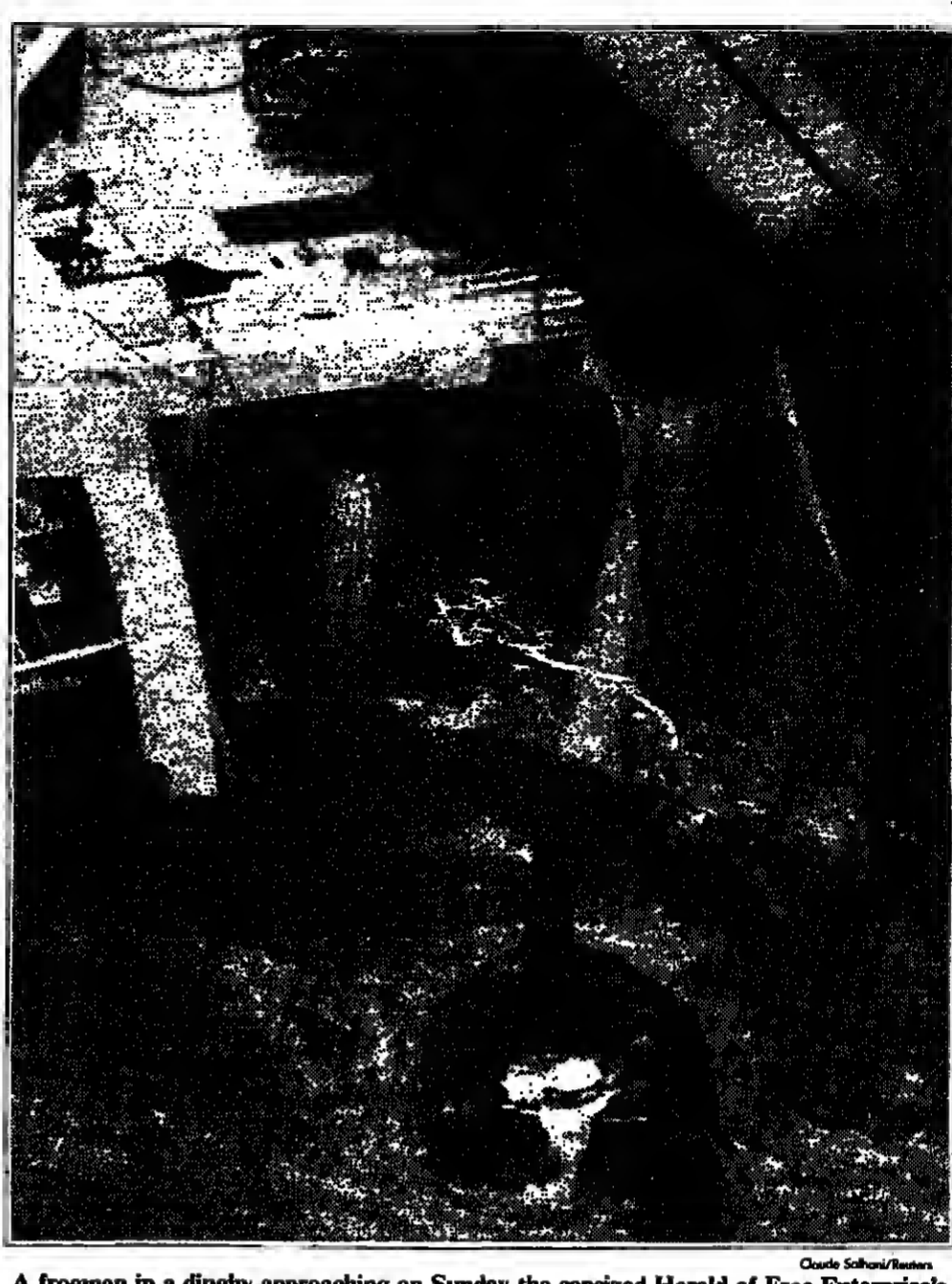
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## THE NIKKO PERSPECTIVE

# ON WHY

## The Securities Industry is Becoming a Leading Industry in Japan

**WHAT FORCES** are behind the recent strong performance of Japanese securities companies?

**Iwasaki:** Three sets of developments have given strong impetus to our growth: developments in international capital markets, growth of the financial asset base in the domestic market, and deregulation and rapid growth of financial markets.

In international capital markets, there has been a strong shift toward securitization. Last year, for example, about 70% of transactions—primarily bond transactions—in the Euromarket were securities-related. Bank loans represented only about 27% of total transactions. Behind this shift toward securitization is an underlying need to adjust flows of funds between creditor and debtor nations. The funding requirements of borrower nations are not likely to subside suddenly. Instead, it has become increasingly clear which nations will be creditors and which will be borrowers. The trend toward securitization is therefore likely to continue for the long term.

Another important development in international capital markets supporting the growth of our operations is the growing importance of institutional investors. In an environment where interest rate and currency risks are greater than before, the role of the professional investor has and will continue to become more important.

Securities are also a more flexible mode of finance when it comes to developing new financial instruments and products. This too has been an important factor supporting the expanding role of securities transactions in the Euromarket and in other major financial markets.

**WHAT DOMESTIC** developments have boosted Nikko's performance?

**Iwasaki:** One of the most important has been the growth in financial assets in Japan. According to estimates made by the Nikko Research Center (NRC), expansion in financial assets is outstripping growth in real assets. The NRC forecast for 1987 through 1991 is for growth of 5.2% in real assets. Compare this with forecast growth of 8.6% for financial assets and you can see why growth in the financial services industry is likely to continue at a strong pace. The Japanese economy is shifting to become less of a "goods" economy and more of a "money" economy.

Along with this, we have seen a significant increase in sensitivity to interest rates and profitability of investments among individuals. Although securities still account for only about 20% of personal financial assets, we foresee a growing shift toward securities investments in the years to come. This trend will move in parallel with the growth in securities markets. For example, the volume of Japanese government bonds outstanding now is about \$916 billion, but in five years, this will rise to \$1,300 billion. Another very significant development will be the removal of tax exemptions on an estimated \$2,000 billion in savings beginning in October 1987.

This will lead to some important shifts in the flow of funds and will generate more opportunities for securities companies.

Reflecting the size of financial assets in Japan, which now total more than ¥600 trillion, or about \$4 trillion, Japan has also emerged as the world's leading creditor nation. At the end of calendar 1986, Japan's net external assets amounted to an estimated \$200 billion. By 1991, we believe this total will rise to \$500 billion. At present, about 80% of the increment to net external assets is accounted for by securities investments.

With this momentum behind it and with continuing deregulation, the Tokyo market is expected to move out in front as one of the world's three leading international money and capital markets. Surveys of experts indicate the consensus view is that Tokyo will rise to a position of importance equivalent to London in the near future and, thereafter, reach the same level of importance as New York, essentially propelled by the growth in domestic financial assets and by the growing volume of international transactions.



**Takuya Iwasaki**

Born in 1928, Takuya Iwasaki joined Nikko Securities in 1954. After having held various operational posts in the trading, underwriting, and other divisions of Nikko, he was appointed president of the firm on December 19, 1986.

**WHAT ROLE** has expansion in the market itself played in stimulating growth in your operations?

**Iwasaki:** A big role indeed. The size of transactions volume in the Tokyo market has expanded dramatically along with such developments as deregulation, increased participation of institutional investors, and fluctuations in interest rates and foreign currency valuations. All of these developments have prompted investors to move their portfolios more actively for short-term gains. As Japanese banks especially continue to step up their activities in the market, transactions volume will continue to expand.

Nikko is very well positioned to participate in this growth. For example, in our fiscal year ended September 30, 1986, we increased our equity share trading volume 55%; brokerage commissions rose 42%, setting a new record. The value of our bond transactions rose 116% for the year and revenues grew 38%. We made substantial gains in convertible bond transactions, in bond futures trading, and in the

sale of investment trusts to individuals and institutional investors. In addition, we achieved excellent results in the development and application of new systems, including, for example, use of the new BARRA/Nikko Japanese Equity Risk Model in our Index Fund TSP and Japan Index Fund.

In short, it was an excellent year for us. Revenues were up 50%, to ¥457.1 billion, and net income rose 75%, to ¥82.8 billion, each of which is the highest level in Nikko's history. Reflecting the excellent prospects for growth in our operations, the total stock market valuation of Nikko shares was approximately \$13.1 billion as of the end of 1986, over 268% higher than a year before.

**WHAT EFFECTS** will increased competition from domestic and foreign securities companies have on your operations?

**Iwasaki:** As in any growing market, we expect competition to increase. Right now, 36 foreign securities companies have securities branch licenses in Tokyo. We expect that number to rise to 50 before this year is out. Since some of these operations are branches of subsidiaries of foreign commercial or universal banks, we expect Japanese banks will also begin to argue more strongly for permission to set up securities operations in Tokyo. We expect that the number of our competitors will grow and that competition will become tougher in the years to come.

Other developments we have to keep in mind are further deregulation measures, such as the problem of the fixed commission structure and introduction of a shelf registration system.

These developments, along with the sheer growth of the Tokyo market, form the backdrop for our continuing expansion. As Japan becomes an increasingly important exporter of capital and an international financial center, the opportunities will multiply very rapidly. The most important success factors will include having the right strategies and the right set of capabilities to meet the needs of the market as they emerge.

More than ever, we have to stress closeness to the markets we deal in. Growth in revenues and profits will no longer depend on continuing to do things the way they were done in the past but will depend much more on being in touch with the needs of the market and on being able to respond to those needs. Being market-minded, I believe, is a key point we must stress in the years ahead.

**WHAT STRATEGIES** will Nikko pursue to achieve this market-minded orientation?

**Iwasaki:** Our ultimate goal, as Japan becomes an increasingly important financial center, is to become a full-service, global financial institution. To accomplish this, I think Nikko must become more active in developing appropriate strategies and implementing them. We cannot afford to maintain a passive approach; we have to move into a more active mode.

I have summarized this in the phrase

*Zoshitsu Keiei*. The main theme of Japanese companies after the oil crises was what we call *genryo keiei*—that is, managing to eliminate waste in all phases of our operations. I think we need a shift in emphasis now toward upgrading the quality of our operations.

*Zoshitsu Keiei* means, specifically, managing to upgrade the quality of our personnel resources, our products and services, and our financial position and resources.

People, as anyone in the securities industry knows, are our most important resource. I think Nikko certainly has a highly trained and capable staff. But I think we need to emphasize *Zoshitsu Keiei* through increased training and through stimulating our staff to test the limits of their abilities by giving them increased responsibility. Unless younger people are given the opportunity to try, they will not make either the right decisions or the mistakes that we all learn from. I have forbidden our branch managers to complain about some young people not being self-starters. Instead, I have told them to give these younger people more responsibilities.

To do this, we have implemented changes in operating procedures by having both directors and managers do more to encourage initiative among all levels of staff, thereby realizing our full potential as a company through a fundamental change in the way our professionals approach their work.

Another key aspect of personnel development is evaluation. We are conducting a full review of our compensation and evaluation systems and will make the changes found appropriate for attracting and keeping the best talent.

**HOW ABOUT** the development of competitive financial products and services? How will Nikko keep ahead in this area?

**Iwasaki:** Personnel resources are a key factor here also. But development of financial products and services that stay ahead of client needs will require a greater closeness to the market. That is what I mean by being market-minded. Nikko's financial products and services are a crystallization of its know-how and expertise. Investment trust products and swaps are cases in point. But I don't think products that meet client needs can come from sitting, thinking, and waiting for divine inspiration. We have to be in intimate touch with the market, constantly sounding out the needs of our clients. When we know what the market requires, we can develop the proper services. Ideally, we should know our clients and the market so well that we can provide services that satisfy needs that clients themselves are unaware of.

We must also continue to work to improve our capital base and overall financial position. This is because profitability is now essential to generate the confidence of society and our clients.

Given the market opportunities we have before us and the potential of our resources, I believe we at Nikko have the opportunity of a lifetime to be a leader in the financial industry in Japan and internationally.

# NIKKO

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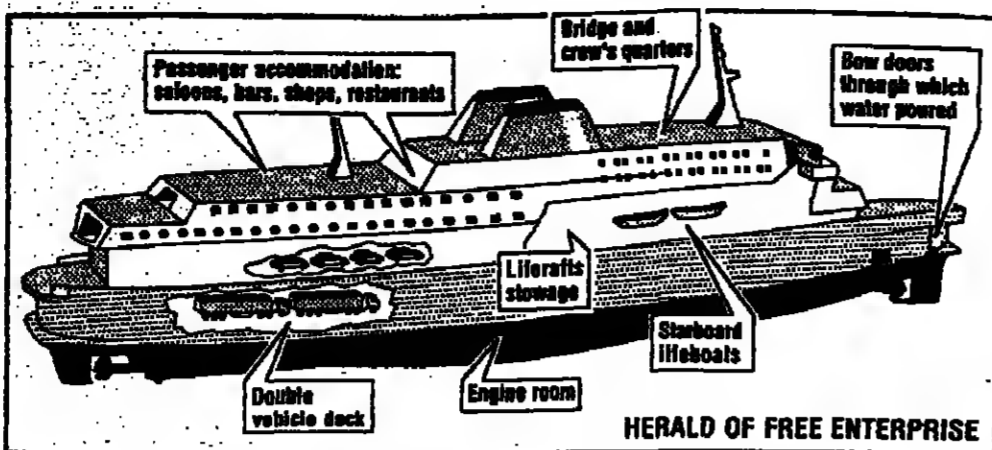
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THE CHANNEL FERRY DISASTER: Stability of the roll-on, roll-off type of vessel is an issue

Open Spaces, Other Features of Ship's Design Questioned

By Steve Lohr
New York Times Service
LONDON — The ferry tragedy outside the Belgian port of Zeebrugge on Friday has raised questions about the design of the roll-on, roll-off type of vehicle-carrying ship involved in the accident...



umber usually carried by the Herald of Free Enterprise. The effect of the accident on the ferry industry, which employs more than 10,000 people in Britain alone, is uncertain...

France is that passengers would be engulfed by fire in the event of an accident. Plans call for trains to carry passengers and cars from terminals near the ports of Folkestone, England, and Calais when the tunnel is completed in 1993.



Prime Minister Margaret Thatcher of Britain hugging Lisa Fisher, 4, at a hospital in Blankenberge, Belgium. Lisa and her parents, Paul and Barbara Fisher, of Northampton, England, were among the survivors of the ferry accident.

The British government started a preliminary investigation Saturday into why the Herald of Free Enterprise, a British vessel, heeled over and capsized in just over a minute, shortly after leaving the Belgian port on the North Sea.

Independent maritime specialists said roll-on, roll-off ferries become unstable quickly if flooding reaches into the vast decks that hold the automobiles.

The Herald of Free Enterprise, owned by Britain's largest ferry operator, Townsend Thoresen, had two such car decks, which run from one end of the ship to the other. They are like a short stretch of road inside the ship, without compartments that would hinder cars driving on and off or stop flooding.

Royal National Lifeboat Institution. "The ship will take in water very quickly." Roll-on, roll-off vessels have been used as car ferries for decades throughout the world.

than ships with deck areas divided by bulkheads. The alternative — placing partitions to separate cars — would make loading and unloading far more time-consuming.

Uoull now, the worst was in 1982 when six persons were killed when the European Gateway sank off England's east coast after colliding with another ferry.

For Worried Relatives, A Bitterly Long and Tense Wait for News

By Howell Raines
New York Times Service
LONDON — During the day, emotionally drained relatives of the dozens of passengers listed by the company as missing gathered at the Townsend Thoresen headquarters in Dover and at the Maidstone police station in Kent.

SURVIVE: The Rescued Recall a Scramble for Life

(Continued from Page 1)
pocket," one loudly announced. "With who?" a buddy chimed in, and the group, some with blood on their shirts, laughed in bravado.

After the emergency lights had held for only an instant, according to passengers, the screams of people bobbing in the water could be heard echoing across the ocean pool below, where empty life jackets floated and glowed.

Survivors said they had shared the conviction that the boat was headed deep to the bottom. "I was thinking, 'Will it be quick?'" Mr. Southgate said. "And I thought, 'No, it will be slow, and just analyzing it that way was awful.'"



FERRY: Water Entered Bow

(Continued from Page 1)
said one potential scenario involves a rapid shift in ballast that caused the boat to lean a bit to port or down in the bow.

The ship's captain, David Levy, survived the accident. He suffered a punctured lung and was in intensive care in St. Jan's hospital in Brugge. A doctor there said Mr. Levy's life was not in danger.

Raymond Cook, speaking from a bed at St. Jan's Hospital, had a broken leg and was slumped by glass in what he described as an initial melee of panic. "It was terrible," he said. "There were men fighting because they wanted to get out."

He could not recall how he was able to get through the invading waters. "I could hear people shouting from other cabs: 'Help me! Jesus help me!' But I couldn't do anything. Maybe they're okay, and maybe they're not."

Survivors said the darkness within the ferry was particularly terrifying. After the emergency lights had held for only an instant, according to passengers, the screams of people bobbing in the water could be heard echoing across the ocean pool below, where empty life jackets floated and glowed.

"They broke the windows and shouted down, 'You're safe on a sand bar!' and I couldn't believe it," said Rebecca Carby, an 18-year-old who was aboard with her family on a bargain excursion at \$1.50 each.

Another theory holds that a turn by the boat, combined with the force of an unsecured wave or two, caused trucks in the vehicle hold to lurch to port. This, the theory goes, could also be the source of an initial weight shift that caused the ship to tilt to port.

A Belgian official said 60 to 70 barrels were in the water, and another 35 were retrieved, including one containing toxic matter that he declined to identify.

INTERNATIONAL CLASSIFIED BUSINESS MESSAGE CENTER. A grid of various business advertisements including: BROKERS / AGENTS, REAL ESTATE SALES, SUPPLY HOUSE, START BUSINESS IN Hong Kong, SALES AGENTS NEEDED, YOUR OWN COMPANY IN SWITZERLAND, and many others.

AFTER THE WAR WAS OVER. A large advertisement for a book collection of European postwar photographs. It features a large black and white photograph of a destroyed city and the text: 'AFTER THE WAR WAS OVER' and '168 duotone illustrations from Magnum'.

Beam your business message to a worldwide audience of 375,500 businessmen and investors. The International Herald Tribune's Business Message Center appears in the Classified Section every Tuesday, Wednesday and Thursday. It carries ads for a wide variety of products and services.

After The War Was Over. International Herald Tribune, Book Division, 181 Ave. Charles-de-Gaulle, 92521 Neuilly Cedex, France. Payment is by credit card only. All major cards are accepted. (Please note that French residents may pay by check in French francs, at the current exchange rate.)

Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

And What About Israel?

Jonathan Pollard has been sentenced to life imprisonment. He deserved severe punishment. He took money for stealing huge quantities of major U.S. secrets...

indicated, the Israelis promoted him. Why? The suspicion is overwhelming that Israel did something terribly wrong and is now covering up and counting on its high strategic and political standing to spare it further costs...

A Third Reagan Term

Now what should happen when you make a mistake in this. You take your knocks, you learn your lessons and then you move on... You put things in perspective. You pull your energies together. You change. You go forward.

the law concerning congressional consultation; it will now be hard not to. The missile defense initiative, widely founded in hyperbole, has probably prompted Soviet flexibility on arms control. The news of Secretary of State George Shultz's return to Moscow in April stirs hope that Mr. Reagan may yet find it possible, after the Reykjavik wreckage, to use his space-based defense scheme as a bargaining counter to negotiate reductions in nuclear weapons.

Look for a Treaty Before Summer's End

By Charles Krauthammer

WASHINGTON — Strange bedfellows. It is not often that you will see the Reagan administration and the Soviet government on the same side of a nuclear debate. It is even rarer to see them arrayed together against a representative (albeit speaking for himself) of the quintessentially moderate Council on Foreign Relations.

Mr. Gorbachev's announcement was dramatic because he had been holding an agreement on INF hostage to some U.S. concession on strategic defense. Mr. Reagan refused. Now Mr. Gorbachev announced that he was "delinking" the two issues. You proposed the zero option, he said. We accept. Will you take yes for an answer?

The war over INF has just begun, but the outcome can be predicted. The unilateralists will win.

Mr. Reagan and Mr. Gorbachev got to dreaming of a nuclear-free world and the summit blew up over the Strategic Defense Initiative.

an undefended America, they choose a nervous Europe. The INF treaty is God's gift to unilateralists tired of having to play psychiatrist and body-guard to allies unwilling to defend themselves.

The coming war among Republicans over INF will not be between pro- and anti-arms controllers. It will be between unilateralists and Atlanticists.

Recasting The Rivalry In Europe

By Jim Hoagland

PARIS — Try to imagine the scene in the Kremlin as Mikhail Gorbachev tells his general staff about his new idea to rescue Ronald Reagan's presidency, pull nearly 1,000 Soviet nuclear warheads out of Europe and get European countries to think seriously for the first time in three decades about common defense efforts.

By reviving the zero option, Mr. Gorbachev has marched up to the Rubicon on military strategy. Despite evident dangers for the Atlantic alliance in his latest move, it is in America's interest that he get across and bring his military with him.

The President's Ordeal May Be Merely Beginning

By Tom Wicker

NEW YORK — Despite the Tower commission's report, the popular appointment of Howard Baker as White House chief of staff and Ronald Reagan's artfully crafted and delivered speech last Wednesday, the president's ordeal by investigation is by no means over.

First, as he himself says, the twin scandals of arms to the Iranians and funds to the Contras "happened on my watch." No amount of moving "more furniture" or promises of future reform or calculated imagery can change that admitted fact.

If he really did identify the problem in Iran as one requiring arms sales to "those who might assume leadership in a post-Khomeini government," he failed to convey it to the "right individuals." Instead, as he said himself, he let his "personal concern for the hostages" override his "geopolitical strategy."

That cannot fairly be blamed on "some who served me" or on "activities undertaken without my knowledge." His own account suggests that either Mr. Reagan mandated a failing rescue operation carried out by people he despised, doing what they understood him to want done, or what he and the Tower report called his "management style" was ignorance and sloth.



bank accounts at issue. Vice Admiral Poindexter's testimony probably will be more valuable, disclosing far more than is now known about the extent of the president's involvement in the NSC's operations.

A New Role for Italy?

As prime minister, Bettino Craxi brought vitality and a sense of movement to Italy's politics, qualities that had been lacking for many years. Under him the Socialists have begun to emerge as the first non-Communist counterweight to the Christian Democratic Party.

The past three and a half years have been prosperous ones for Italy, as for all of the industrial democracies. The economy has grown steadily. Inflation has fallen sharply, with as much political benefit to the Socialists in power in Italy as to the conservatives in power in the United States, Britain and West Germany.

Israelis Are Endangering the Israeli-U.S. Alliance

By Richard Cohen

WASHINGTON — The Israeli-U.S. alliance, based on mutual admiration, shared values and common strategic interests, is being corrupted by Israel's contempt for American sensitivities.

Israel paid an American to turn spy, stated first claim to Soviet Jews who preferred America over Israel and posted a military attaché in Washington whose record is both controversial and repugnant. If the relationship were a marriage, it would be heading toward the rocks.

and Chaita massacres of 1982 in Beirut. His appointment was an affront to Palestinian-Americans. Had they been Jews instead, it would never have been countenanced.

Canada rejected him when he applied for accreditation. His appointment, Ottawa diplomatically explained, was not "appropriate."

serts a right to Soviet Jews, forgetting or ignoring that America also considers itself a haven for exiles. America has a historical mission, too, and while it is not biblical it is deeply felt.

Israel enjoys great love and respect in America, particularly from a Jewish community which, like a mother, has always been willing to forgive. But there are signs that it is taking America and the Jewish community for granted.

Other Comment

Europeans Shouldn't Dally

The reaction of Western Europe to Mikhail Gorbachev's initiative to eliminate Euro-missiles has puzzled the Russians. The truth is that West Europeans do want a deal, and their sniffy reaction is little more than a negotiating tactic.

too far. It is possible that the negotiations in Geneva will get bogged down if NATO tries to squeeze the Russians too far, and that one fine day we will wake up to find that once Mr. Gorbachev has been replaced by a less congenial fellow. So it is important to be clear about what the West wants and then try to achieve it fast.

Pollard Was Israel's Responsibility and Still Is

ISRAEL'S decision to cooperate partially in the prosecution of spy Jonathan Jay Pollard was a blunder. In the process of providing only selective information to U.S. investigators, Israel has seriously strained its relationship with the United States, and an American devoted to Israel has been sentenced to life in prison with virtually no chance of parole.

The information about Mr. Pollard's espionage activities that Israel initially provided actually set the stage for his decision to seek a plea-bargaining arrangement. He confessed and began to tell all only after discovering that the Israeli officials whom he had trusted and with whom he had worked had already given the U.S. government a credible body of evidence against him.

only 163 of the more than 1,000 documents taken by Mr. Pollard, according to the U.S. government.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1958-1982 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER, Co-Chairman

LETTER TO THE EDITOR

Why Wait for Spin-Offs? In response to the opinion column "SDI Spin-Off Might Improve Life Worldwide" (Feb. 19) by Geoffrey Parfitt, British minister of trade and industry.

energy collection system. The collector design could be mechanically simple, allowing easy erection in even the most remote parts of the world.

IN OUR PAGES, 75 AND 50 YEARS AGO 1912: South Pole Found LONDON — Captain Roald Amundsen announces that he has discovered the South Pole and that his object was attained between the 14th and the 17th of December, 1911.

1937: Japan and China WASHINGTON — Foreign Minister Naotake Sato's speech before the Diet in Tokyo (on March 9) was greeted with reserve here. It was pointed out that the turnover in Japan's foreign policy was probably connected with the Japanese-German entente.

New Int... FINANCIAL RATE NOTES... SEIZ... The International News

Hot Debate Flares in Poland Over Charges of Anti-Semitism During World War II

By Michael T. Kaufman
New York Times Service
WARSAW — A passionate debate over whether Poles bear any special responsibility for the deaths of millions of Jews in World War II has flared in Poland's most influential Roman Catholic newspaper.

January under the title "Poor Poles Look at the Ghetto."
In the article, Jan Blonski, a well-known literary critic, agonized over what the moral response and attitude of Poles should be to the genocide of Jews that took place at camps in Poland within the memory of many still alive.

The editors of Tygodnik Powszechny, a Catholic weekly that is also Poland's most important independent journal, recently told readers that they had received many letters in the debate whose emotional language and tone do not deserve publication.

Contrary to the assertion of some of our respondents, the editors said, "the letters the country, even though today there are practically no Jews left in Poland."

and ourselves, thus we must purify ourselves by seeing ourselves truly. Without that, the house, the soil and ourselves shall remain branded."

The poet ends the second poem with an expression of a guilt that links passivity to collaboration. He wrote: "What am I going to say, me a Jew of the New Testament?"

And how is this to be done?" he asked. "To clean Cain's field, we must first remember Abel. Abel did not live apart. He lived in our house, on our soil. His blood remains on the walls and has sunk into the soil where we want it or not. It has penetrated our memory

less coup. The money probably would have prevented the debt crunch that brought this country to its knees last year.

General Babangida opened what became known as the "Great IMF Debate." In the debate, a uniquely Nigerian plebiscite-cum-shouting match that was carried on in the pages of the country's daily press, it soon became clear that the public saw the International Monetary Fund and its demand for economic reform as insidious instruments of greedy Westerners.

The changes have led to a drastic devaluation of the naira, the currency whose one-to-one parity with the dollar had been considered a symbol of Nigerian pride. A dollar now buys nearly four naira.

most of its debt. Two years ago, 44 percent of export earnings went to service foreign debt. This year, the government says, that burden has been cut in half.

The changes abolished an import licensing system that had made millionaires out of hundreds of Nigerians who used relatives and friends in the Ministry of Trade to obtain import licenses and resold them to businessmen desperate to import spare parts. Now businessmen simply import what they can pay for.

General Babangida abided by the public's will and rejected the IMF loan. Then he began to put in place what Western economists call the most rigorous free-market changes ever adopted in an African country.

man orders was the first and basic impediment preventing our giving greater help to Jews."

He mentioned his own associations with people he described as Jewish friends who died at the hands of the Nazis.

There is a large body of Polish opinion that would not consider itself anti-Semitic but that emotionally supports Mr. Blonski's view and would regard Mr. Blonski as a defiler of national honor.



A Beirut municipal worker painting over a mural of Ayatollah Ruhollah Khomeini as part of a Syrian drive to remove posters of the Iranian leader and other Moslem leaders.

In Nigeria, an Economic Recovery Fueled by Pride

By Blaine Harden
Washington Post Service
LAGOS — This is the African country that parlayed a \$100 billion windfall into a national curse. The oil boom from 1973 to 1981 crippled the livelihoods of the farming majority, hooked city people on subsidized imports and saddled the nation with an estimated \$18 billion debt.



Ibrahim Babangida

The money probably would have prevented the debt crunch that brought this country to its knees last year. Shortly after coming to power, General Babangida opened what became known as the "Great IMF Debate."

The United States has been able to reschedule Nigeria's debt. The economic adjustment package has so pleased creditors that Nigeria has been able to reschedule most of its debt.

General Babangida abided by the public's will and rejected the IMF loan. Then he began to put in place what Western economists call the most rigorous free-market changes ever adopted in an African country.

The changes have led to a drastic devaluation of the naira, the currency whose one-to-one parity with the dollar had been considered a symbol of Nigerian pride.

SWAPO Leader Assails U.S. Plan For Base in Zaire

HARARE, Zimbabwe — Sam Nujoma, a guerrilla leader in South-West Africa, has criticized a U.S. proposal to use a military base in Zaire and urged the Organization of African Unity to intervene and halt the move.

BEIRUT: Iran and Syria at Odds

(Continued from Page 1)
Beirut. They were kidnapped in Beirut in January.

The Syrian deployment has increased pressure in the Christian sector for militiamen to turn their positions over to the Lebanese Army.

known as the Lebanese Forces would withdraw from the streets in East Beirut to enable Christian army contingents to take charge of law and order.

AMAL Shake-Up Reported

Nabih Berri, the leader of the Shiite Amal militia, expelled a former second in command on Saturday and dismissed other officers of the movement in southern Lebanon.

The shake-up came after an abortive attempt by Hassan Hashem, Amal's former deputy chairman, to wrest control of Amal in southern Lebanon on March 1.

SHULTZ: Hopeful on Arms Talks

(Continued from Page 1)
them all sorts of information about how wonderful everything could be if, only so-and-so, happens and they're ready to do this and that.

"We still will have that imbalance," he said, "if they take the SS-20s out. The problem is, NATO is not willing to come to grips with that, either through conventional buildup or through innovative and bold arms control demands."

He declined to give details on what had been put into play concerning strategic arms, but he said that some proposals from Reykjavik were "inventive and put in a posture where you could really work on them" during the latest round of Geneva talks.

The possible testimony of Admiral Poindexter is seen as potentially the most serious problem for the president, one source said.

TOUGH: Moscow's Body-Builders

(Continued from Page 1)
Soviet way of life," one of the Lyubers reportedly told the Ogonyok writer. "We want to drive them from the capital."

The author, in the end, was uncertain whether the Lyubers were rightist ideologues, bored teenagers, or hoodlums manipulated by grownups grooming the youngsters for criminal activities.

IMMUNITY: Grants Discussed

(Continued from Page 1)
ry evidence that may prove relevant. Some handwritten presidential notes that may bear on the case have not been examined or provided to investigators, according to informed sources.

The White House's failure until now to take even routine legal precautions has surprised many of the lawyers associated with the Iran-contra investigations.

SHARE: Academics' Plea

(Continued from Page 1)
chambers of the Parliament, but Mr. Botha has ruled out setting up a fourth chamber for the nation's black majority.

The academics said their group, known as "Discussion Group '85," was formed in October 1985 because of their concern over the security situation.

Mr. Shultz's trip to Moscow, planned for April 13-16, was scheduled after Mr. Gorbachev announced a week ago that he would no longer link the elimination of medium-range missiles in Europe to a broader strategic arms accord.

In Washington, Senator Sam Nunn, Democrat of Georgia and chairman of the Senate Armed Services Committee, welcomed progress Sunday on negotiations on medium-range missiles as "in our interest."

Admiral Poindexter has told friends that he is not ashamed of his actions or sorry for anything that happened while he was national security adviser.

Three sources said last week that Colonel North is asserting to his friends in the U.S. Marine Corps that he has remained silent thus far to protect the president.

The Tower review commission report indicates that Colonel North believed Mr. Reagan was aware of many of his activities, including the arms-for-hostages dealings with Iran and Colonel North's help for private fund-raising for the rebels fighting Nicaragua's Sandinist government.

In Lyubertsy, a group of young body-builders who had been interviewed earlier by Ogonyok said they were embittered by the article.

"They made us out to be a band of hoodlums," said Gennadi Mikhayev, an 18-year-old electronics student at a technical school.

He and his friends conceded that they did not have a high regard for hippies and punks.

Mr. Mikheyev is one of a dozen youngsters who work out regularly in a makeshift gym in the basement of a five-story apartment building.

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Parties on the left and right, meanwhile, stepped up efforts to form alliances for the May election.

Andries Treurnicht, the leader of the extreme right Conservative Party of South Africa, said Sunday that he had conditionally accepted a unity pact offered by Eugene Terre Blanche, the leader of the paramilitary Afrikaner Resistance Movement, Agence France-Press reported from Johannesburg.

Mr. Botha has ruled out setting up a fourth chamber for the nation's black majority.

Mr. Mikheyev is one of a dozen youngsters who work out regularly in a makeshift gym in the basement of a five-story apartment building.

The tentative agreement moved the extreme right closer to running a unified campaign in the elections.

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150 YEARS

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-623-1277. Prices may vary according to market conditions and other factors.

Dollar Straights

Table of Dollar Straights bond prices, including columns for Issuer, Con Mat Price, Yld, and Bid/Ask prices for various countries like Australia, Canada, and New Zealand.

American Exchange Options

Figures as of close of trading Friday.

Large table of American Exchange Options with columns for Option & Price, Calls, and Puts, listing various stock options and their market data.

Chicago Exchange Options

Figures as of close of trading Friday.

Large table of Chicago Exchange Options with columns for Option & Price, Calls, and Puts, listing various stock options and their market data.

International Bond Prices (Continued)

Extensive table of international bond prices, categorized by region: France, Japan, Scandinavia, Dollar Zero Coupons, DM Straights, Eurozone, DM Zero Coupons, ECU Straights, and United Kingdom. Each section lists issuer names, maturity dates, yields, and bid/ask prices.

Vertical advertisement on the right side of the page, featuring the text 'FROM 1875...' and 'Given Choice Investors Rush', along with a logo for 'WestLB' and 'Westdeutsche Landesbank'.

Advertisement for WestLB, titled 'Fixed Income and Equities Trading for dealing prices call:'. It includes contact information for offices in Düsseldorf, London, Luxembourg, and Hong Kong, and mentions 'One of the leading Marketmakers'.

Arabic text at the bottom center: 'مكتبة التجار' (Traders Library).



# PERSONAL INVESTING

## FOCUS

### Futures Markets: A Contract Glut

**O**N PAPER, THE PRODUCT looked terrific: a futures contract based on the U.S. Consumer Price Index. Individuals and companies, experts reasoned, are always worried about inflation and could use the instrument to hedge their risk. At the same time, anyone with an opinion about where prices were headed could place a speculative bet.

In the trading pits at New York's Coffee, Sugar & Cocoa Exchange, however, the reality has proved somewhat different. The contract has drawn little interest since its debut in 1985, and efforts to resuscitate it have so far failed to stir investors.

"I had no idea it would be such a dud," says Paul Samuelson, a noted Massachusetts Institute of Technology economist who had voiced some early support for the contract. "Obviously the fact that inflation has been modest is part of the story."

The CPI futures are hardly alone in their fate. Mark Powers, a leading consultant to U.S. exchanges, says that at least 80 percent of the roughly 200 futures contracts introduced since 1970 have foundered, and the picture has been only somewhat brighter for new options contracts. Many of the new instruments suffer from poor timing or faulty market research, while others may simply seem too complicated.

**N**EVERTHELESS, THE NATION'S competing options and futures exchanges continue to churn out a parade of new instruments, lured by the spectacular success of a handful of existing instruments. At the futures exchanges alone, at least 10 new instruments are in the planning stages.

And, increasingly, the exchanges are becoming more sophisticated in pitching their wares. The American Stock Exchange, which also trades options on stocks and stock indexes, recently launched its first television advertising. For example, the Philadelphia Stock Exchange has been running video ads for its currency options on certain international air flights.

But hype alone will not create a market for a new instrument. The Coffee, Sugar & Cocoa Exchange last year went so far as to offer a vacation in Bolivia (which then had the world's highest inflation rate) as first prize in a promotional contest to spotlight the CPI futures, but little additional trading resulted. This year, as days pass with no trading at all, the exchange is tinkering with the contract's specifications.

Unquestionably the most lavish, and failed, marketing in recent years stemmed from the 1985 introduction of futures based on indexes of over-the-counter stocks. After the Chicago Board of Trade, the world's largest futures exchange, and the Chicago Mercantile Exchange, the second-largest, spent a total of at least \$4 million pushing competing instruments, a simple truth became clear: Traders had little interest in one such contract, let alone two. "Both exchanges shot themselves in the foot," says William Murschlag, a spokesman for the Board of Trade.

Last year's offering of new instruments was decidedly lackluster. Futures based on an index of commodity prices got off to a rocky start on the New York Futures Exchange, while trading in new options on an index of volatile stocks was slow at the New York Stock Exchange. Two exchanges served up futures on the European currency unit, but even the leader, the New York Cotton Exchange, reported only modest volume.

Perhaps the most successful innovation last year was a new version of an old instrument: options on the Standard & Poor's 500-stock index, traded on the Chicago Board Options Exchange. Partly in response, the American Stock Exchange launched options on an index of 75 stocks commonly held by institutional investors. The Chicago Board of Trade liked that index enough to lay plans for futures contracts on the index.

**D**ESPITE THE MIXED PERFORMANCE, the parade shows no signs of stopping anytime soon. The Board of Trade's plans have a decidedly international flavor, including futures on three indexes of British, Canadian and Japanese stocks, as well as futures based on Yen bonds and Eurobonds. The New York Futures Exchange is preparing contracts on three other stock indexes.

The Chicago Merc and the New York Cotton Exchange are both planning futures on indexes of Treasury securities, while the Commodity Exchange in New York and the Board of Trade are readying futures on indexes of corporate bonds. The New York Mercantile Exchange, which successfully launched crude-oil futures last year, is looking to options on heating-oil futures.

All this might seem excessive, and the sheer abundance of instruments can cause some real problems. "It's difficult to educate brokers and users about each new product," says Jack Barbael, director of futures at Gruntal & Co. Mr. Powers, the consultant, adds, "Consumers can get overwhelmed by what I call futures-shock syndrome."

But these and other experts generally applaud the exchanges' competitive efforts on the new instruments. "It's good" to use them because it increases the front, "it's good" to use them because it increases the front, "it's good" to use them because it increases the front, "it's good" to use them because it increases the front.

**UPDATE**

### Sterling's Rise

**I**N THE ABSENCE of the speculative fervor that prevailed before last month's vague Group of Five agreement to stabilize the dollar, currency markets are turning their attention to fundamentals in general and the British pound in particular.

Brendan Brown, chief international economist for County Bank in London, cites the wide spread between British and continental interest rates as a major reason for sterling's popularity. Long-term government bonds in Britain are yielding just under 10 percent. Such bonds in West Germany and Japan are yielding about 6 percent and 5 percent, respectively.

Moreover, Mr. Brown notes "a growing perception that the British economy is doing well." He expects this year, roughly double the forecast for Germany.

Despite expectations of a slight recovery in the dollar and a 1-percentage-point reduction in Britain's base lending rates, Mr. Brown sees sterling remaining relatively attractive at around \$1.50 in the near term. Against the Deutsche mark, he believes that the pound will fluctuate in a narrow band from 2.8 to 2.9 marks.

John Meehan

## Hong Kong's New Stature Among Investors

### Anxieties about the future have been put aside as the rally charges ahead.

By Patrick Smith

**I**N THE CROWDED FINANCIAL DISTRICT known simply as Central, market talk is on everyone's lips these days. Stock tickers in the windows of local banks draw swarms of investors at lunch hour. Brokers and analysts are looking happy but distinctly haggard.

These are boom times for the Hong Kong stock market. The local Heng Seng Index, which has been challenging its record regularly in recent weeks, has risen 60 percent since mid-1986 and is up more than 100 percent in just the first two months of this year. Volume is also hitting peaks; new issues are consumed as fast as they are introduced.

It is a classic surge in many respects, driven by low interest rates, excess liquidity and a healthy economy. But the extraordinary ascent this market began eight months ago also marks a milestone in its effort to gain recognition among international equity investors.

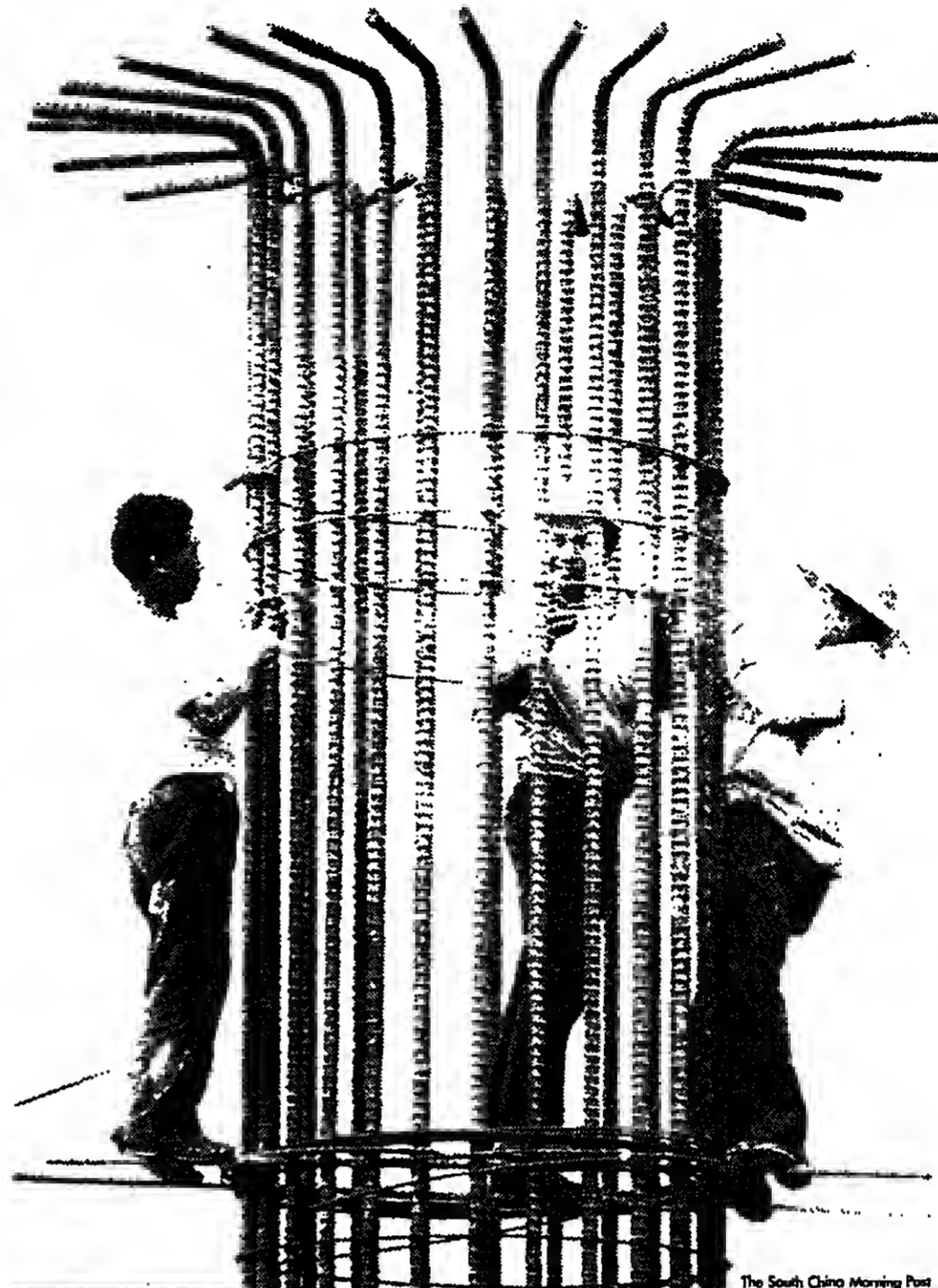
As in no other boom before it, this one has been fueled less by local speculation than by solid institutional buying from Europe, the United States, Japan and Australia. Long considered too volatile for most foreign investors, Hong Kong can no longer be ignored, as it was only a year or two ago, in any diversified equity portfolio.

"People woke up to Hong Kong last summer," says Duncan P.F. Mount, managing director of Gartmore (Hong Kong) Ltd, a unit of the London-based fund management concern. "Ever since, we've been going through a basic reassessment of this market's international rating."

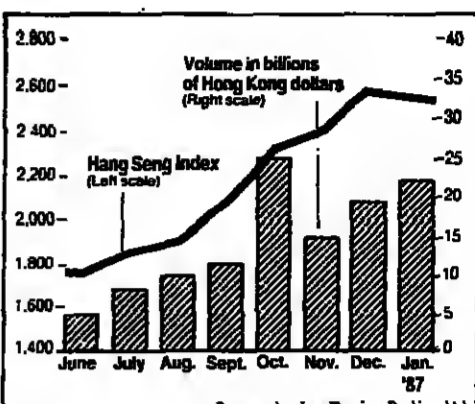
In part this reflects the relative attractiveness of Hong Kong's average price-earnings multiple, which now stands at 15 or so. Although this is close to the market's historic high, many analysts view it as unrealistically low given the current level of cash in the hands of big international investors, low interest rates worldwide and low inflation rates.

"The question is, should Hong Kong be trading at 15 times earnings when Tokyo is at 50 and Singapore at 30?" Mr. Mount says.

Hong Kong, which has linked its currency to the U.S. dollar since late 1983, has also benefited from the recent shift of funds from strong-currency markets, such as West Germany, into markets denominated in weak currencies. And while local investors were net



The South China Morning Post



Workers tying up reinforcement rods at a Hong Kong building site. Property stocks account for a big portion of the stock market's capitalization.

sellors a year ago, they have now joined foreign buyers in pushing up stock prices.

Hong Kong has positioned itself well for the current equity boom. Last April, the territory's four separate exchanges were unified and computers replaced the blackboards and the old "open outcry" system. Together with a set of tighter regulations and supervisory procedures, this has been intended to make the market more hospitable to institutional investors and foreign individuals.

There is little question that the exchange's new look has helped. A recent influx of overseas securities dealers—there are now 16, with more on the way—has left Hong Kong, if anything, over-brokered. And as a broad indicator of overseas participation, daily volume is now routinely above 1 billion Hong Kong dollars (\$128 million), more than double its level only a year ago.

Along with the market's new sense of maturity, its basic role is also evolving. Guangdong Enterprises (Holdings) Ltd., a Chinese conglomerate based in neighboring Guangdong province, is about to become the first mainland entity to list its shares in Hong Kong. Bel Fuse Ltd., a small electronics concern that is expanding its Asian activities, will soon become the first American company to do so.

Reflecting the gradual modernization of management techniques among local companies, more of them are also coming to the market, and analysts judge their offerings to be of higher quality than they would have been even a few years ago.

"These companies are now much more accessible," says David Harding, a director at Thornton Manage-

(Continued on Page 10)

## Finding Winners In the Profit Race

### Earnings look healthy, but beware leaning too heavily on the forecasts.

By Alex Barnum

**C**ORPORATE PROFITS, until recently only a side show in the stock market's long-running rally, have become the main attraction on Wall Street. But the key issue for investors will be finding true value among the companies that are fast stealing the limelight with their accelerating profit growth.

Since the beginning of the bull market in 1982, Standard & Poor's list of 500 companies has posted average annual earnings increases of 3.7 percent. By contrast, profits are expected to rise 16.7 percent this year to \$17.09 a share, and another 14.5 percent in 1988, to \$19.56 a share, according to a consensus of Wall Street forecasts compiled by the Institutional Brokers Estimate System.

"The common denominator is that earnings are going to be greater this year," says Eric T. Miller, chief investment officer at Donaldson, Lufkin & Jenrette Securities Corp. "There is no great interest rate or inflation factor driving the market."

The market's emerging stars are corporations that have gone through the painful process of restructuring and streamlining while dramatically improving profit margins.

"A lot of companies," says Alan Greenspan, an economist and president of Townsend-Greenspan & Co., "have been reducing unit costs to the point where any increase in volume of sales would translate into significant improvements in profits."

Also contributing to the brighter profit picture is improved export sales, thanks to the declining dollar and the changing tax structure.

"Tax reform," says Martin D. Sass, president of M.D. Sass Investors Services Inc., "is a good-news, bad-news situation." Although companies lose the investment tax credit this year, he says, they will be more than compensated by the lower marginal tax rate of 34 percent in 1988.

A central issue for investors is how to use the data on earnings. Analysts are wary of buying stocks solely on the basis of projected earnings, partly because of the uncertainty of those forecasts. This time last year, for example, the consensus on Wall Street was for



Martin D. Sass: 'The cycle will pick up for the computer industry.'

an 18 percent rise in profits for companies included in the S&P 500 index compared with the actual gain of 3 percent, according to IBES.

"In a classic bull market," notes Steven G. Einhorn, head of the investment policy committee at Goldman, Sachs & Co., "earnings follow through," sustaining the market's rise. But if those earnings never materialize, the market, as well as individual stocks, will be punished. Thus analysts agree that most stocks already reflect 1987 earnings estimates. They say they will not begin to focus on 1988 profits until July.

**T**HE QUALITY OF EARNINGS is also important. International Minerals & Chemicals Corp., a major fertilizer maker, recently topped a list of companies that analysts believe will have the biggest increase in profits in 1988. The IBES survey found that, on average, analysts were projecting a profit rise of 1,851 percent for the company next year next year.

But International Minerals is just recovering from an industry recession. With a five-year, negative growth rate of 17.3 percent and a price more than 20 times expected 1988 earnings, the company is not an attractive stock. Stan Deutsch, an analyst at First Boston Corp., does not recommend it, saying it "is not selling on an earnings basis."

One of the best examples of a group that still offers both value and earnings growth is the forest-products industry, analysts say. They are predicting 38 percent growth in profits for this year.

(Continued on Page 11)

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PROFILE

# A Jardine Fund Manager's Ebullient View

Alan Smith's portfolio is built around a core of property companies.

By Patrick Smith

**H**AVE A LOOK AT THIS, Alan H. Smith tells a visitor to his office high above Hong Kong's expansive harbor. With his usual ebullience, the managing director of Jardine Fleming Holdings Ltd. slides a 64-page research report, covering Hongkong & Shanghai Banking Corp., across his conference table.

"How far has this market come?" the 43-year-old portfolio manager asks rhetorically. "Ten years ago we might have put out two pages on the bank — not much more than a description of its branch network. That's one measure."

It is a measure, too, of how far Jardine Fleming has come since it was founded 17 years ago as Hong Kong's first home-grown merchant bank, "JF," as the firm is commonly known here, has grown into a diversified financial institution. But fund management has emerged as its core business, and that is where much of its recent success has been.

Assets under management grew by 75 percent last year, to \$3.5 billion. Of Jardine's 15 funds, four were among the world's top 12 performers, according to an annual survey conducted by Lipper Analytical Services. All four were invested in Asia.

Mr. Smith, who taught commercial and company law in Nairobi and at Hong Kong University before joining Jardine Fleming in 1973, believes the JF Hong Kong Trust, with assets of \$115 million, would also have made the top dozen had it enjoyed the exchange-rate gains available to yen-denominated funds. As it was, the Hong Kong fund appreciated by 67 percent last year, outpacing the Hang Seng index by almost 20 percentage points.

Although he declines to forecast the Hang Seng's future level, Mr. Smith is confident that it will continue its climb, citing expected strong corporate results this spring that should reduce many price-earnings ratios. As a measure of this confidence, almost one-fifth of the funds JF manages are in the Hong Kong market.

"There's still quite a lot to go for," he says. "At the moment, I see no problems through the third quarter. But let's look again then to see if there are any clouds."

Among the possible clouds are a resurgence of protectionist measures aimed against Hong Kong. Joins from China



Alan Smith: On a risk-reward basis, 'Hong Kong is an excellent investment.'

The risks in each case are different. Local investors, says, should begin to diversify out of Hong Kong, "which is typical overseas fund may have a Hong Kong exposure of as much as 5 percent of its total assets." From a risk-reward perspective, Hong Kong is an excellent investment, Mr. Smith asserts. "It's a bit above average as a risk and well above average in terms of its rewards."

As Jardine's recent research effort suggests, Hongkong & Shanghai Bank is high among the stocks Mr. Smith favors. Although he is lukewarm on the sector as a whole, he believes the bank will improve its performance after several years of loss provisions for bad loans in real estate and shipping.

**B**UT LIKE MOST OTHER fund managers, Mr. Smith is now building Jardine's portfolio around a core of property companies that are positioned to exploit Hong Kong's current environment of low interest rates, low prices and high rents.

Among his selections: Hongkong Land, which is due to complete another of its prime commercial office towers by the end of next year, and Cheung Kong (Holdings), the vehicle of the real estate magnate, Li Ka-shing.

Real estate investors are enjoying positive returns — that's in contrast to most other markets," Mr. Smith says. "As for Li, he has a proven touch for property in both bull and bear environments."

Among the less prominent properties, Mr. Smith mentions Hang Lung Development, Sun Hang Kai Properties, and Sino Land. The last, he says, has substantial interests in the so-called "new towns" that are springing up in Hong Kong's outlying areas.

In the services sector, Mr. Smith is concentrating on Cathay Pacific Airways and Dairy Farm, the Hongkong Land food-retailing subsidiary that was recently spun off. Apart from its own strong growth record, he says, he likes the 50 percent share Dairy Farm has in Maxima, a fast-expanding restaurant chain.

Mr. Smith is similarly attracted to Café de Coral, a Chinese fast-food chain that was founded in 1969 and went nowhere until a few years ago. Now it is booming, a reflection of evolving tastes among Hong Kong's trendy young.

Industrials? "As a whole the sector has a bad name, and they're not for everyone to follow," Mr. Smith says with a smile. "But if you get your timing right, they can be very rewarding."

One manufacturer Mr. Smith mentions happily is Lai Sun Garments, which has recently diversified into property development, in addition to the brisk business it does selling the large share of valuable textile quota to which it is entitled. "We bought it a year ago at 77 Hong Kong dollars," Mr. Smith says. "It's now over 70."

could also reignite local worries about Hong Kong's future after 1997, when Britain's colonial leases will expire and China will assume sovereignty over the territory. Only two months ago, the forced resignation of Hu Yaobang as head of the Chinese Communist Party sent the market down 160 points in less than two days, although it quickly recovered.

"Local money views 1997 in a personal light, while overseas investors look at it from some distance," Mr. Smith says. "But that's suitable from both points of view, I think."

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## Hong Kong's Allure for International Investors

(Continued from Page 9)

ment (Asia) Ltd. "They are well aware that they have to sell themselves to overseas fund managers."

Exchange officials and others in the investment community are hoping such developments are harbingers of things to come. As Hong Kong prepares to rejoin China in 1997, they say, the stock market should become a major source of funds for Chinese enterprises as well as local and multinational companies doing business on the mainland.

Such ambition is a very long way from the casino-like environment for which Hong Kong has been known since its first exchanges were established early in this century. Almost from the first, trading has been dominated by local speculators who viewed share trading as a kind of informed gambling.

Busts have followed booms at regular intervals. In 1973-74, for instance, the Hang Seng went from a record 1,775 to 130, a casualty of massive overbuying and the first oil crisis. The market took a similar, though less severe, tumble in 1982, when the property market collapsed and the question of Britain's colonial leases was first raised in Beijing.

With history in view, perhaps, market observers are near-unanimous in cautioning that Hong Kong is far from a fully developed market. Insider trading, which is not yet a punishable offense, apparently remains widespread. Speculation — currently centered on 20 or so "entrepreneurial" stocks from Australia and New Zealand — is still a powerful force.

The market also remains heavily weighted in favor of banks and

property shares, which together account for some 70 percent of the market's \$5 billion dollars in total capitalization. Hongkong & Shanghai Banking Corp., the territory's premier financial institution, accounts for 10 percent of the market by itself.

Although they are the backbone of the economy, manufacturers make up only 5 percent of the market. Many are simply too small to be listed; among others, there is still a traditional reluctance to let even a minority interest slip into unknown hands.

For now, at least, regulatory weakness, potential volatility and the market's lack of balance still limit the foreign investor to a narrow range of issues — some 50 to

*'Should Hong Kong be trading at 15 times earnings when Tokyo is at 50 and Singapore at 30?'*

100 stocks, by most counts, out of a total market of 350.

"When you get beyond that, most overseas buyers say the risk-reward ratio is just not worth it," one British broker says. "This is essentially a two-tier market."

One fund manager would disagree: Gartmore's Oriental Ventures Trust, a collection of high-risk "special situations" that are decidedly not for the faint-hearted, has made Mr. Mount something of a local "wunderkind." Oriental Ventures appreciated by 330 percent in the year to mid-February.

Where are the grays now headed? Die-hard optimists, such as Mr. Mount, say a Hang Seng of 4,400 or more by early-1988 is not inconceivable. They reason that the economy, which grew 8.7 percent last year, should expand a further 7 percent in 1987, and corporate profits will add 15 percent or more to the 30 percent gain registered in 1986.

Given that earnings projection, an index of 4,000-plus would mean a revaluation of the market to an overall P-E of 20 — still modest by global standards. Nonetheless, most analysts expect prices to rise more slowly, and perhaps retreat temporarily, once the Hang Seng advances beyond the 3,000 mark.

"If we hit 3,600 by midsummer, I'd say we'd topped out for the year," says Robert Thomas, director of investment management at Jardine Fleming Holdings Ltd. "If we reach that point by year-end, I'd be quite comfortable with it."

Already traders are showing some signs of skepticism. After reaching 2,939 last Tuesday, the Hang Seng dropped suddenly by 140 points, ending the week at 2,798.64.

The decline was widely attributed to the poor reception given to the restructuring of Hongkong Electric Holdings, one of two local utilities. But the question of whether the market has begun a broad retreat now hangs in the air like fog.

Real estate shares are now at the center of most portfolios. The reason is simple. While rents have risen some 50 percent since 1984, prices are up only 25 percent to 30 percent. With the local prime interest rate at 5 percent, yields on prime commercial and residential property are currently as high as 10 percent.

Reflecting a resurgence in consumer spending, service companies — restaurants, supermarket chains, clothing retailers — are also favored. So is Cathay Pacific Airways, Hong Kong's unofficial flag carrier, whose shares were offered to the public only last year.

The Hongks, or old-line British trading houses, and utilities remain highly popular, and some analysts include a few industrial shares among their choices. The threat of protectionism, it is generally reasoned, is receding for Hong Kong; it is time to look beyond the reputation for instability that manufacturing shares have long had.

"Industrials are trying to prove themselves," says Mr. Thomas of Jardine Fleming. "And institutional investors are beginning to take them more seriously." □

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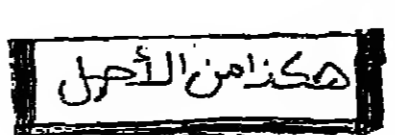
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REAL ESTATE

# London Prices In Real Estate Defy Gravity

By Jeff Ferry

**B** RITISH NEWSPAPERS RECENTLY criticized a London real estate agent for asking the equivalent of \$52,000 for a broom closet that had been converted into a studio apartment. But the same day that the article appeared, the converted closet, desirably located opposite Harrod's department store, was sold to a woman who said she thought it was a good buy.

It was just one more example of how the London residential property market continues to defy gravity. The end of the boom, predicted at the time of the recession of the early 1980s, and again when oil prices dropped and Arab buyers deserted the market, obstinately refuses to arrive. Indeed, optimism about the market is higher than ever.

"For the past five years, property in central London has risen by 25 percent a year on average," says George Pope, chairman of the London real estate agency, John D. Wood & Co., "and so far, the year of 1987 looks like it will see a similar performance."

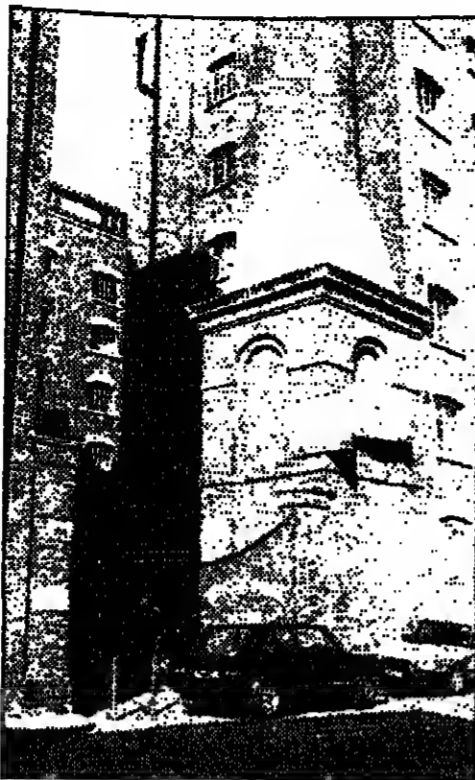
Robert Ringrose, property analyst at the stockbrokerage Phillips & Drew, says the two most crucial factors for London property prices this year are interest rates and the outcome of the British elections that are widely expected in June. With a consensus that interest rates are headed downward, and with polls showing the Conservatives likely to win re-election, the outlook is decidedly upbeat.

For foreign investors considering London, the exchange rate is the main uncertainty. Gavyn Davies, chief U.K. economist at Goldman, Sachs, says he expects the rate to fall "gradually, but not dramatically" over the next two years to a range of \$1.20 to \$1.30 to the pound from the current \$1.50-\$1.55 level.

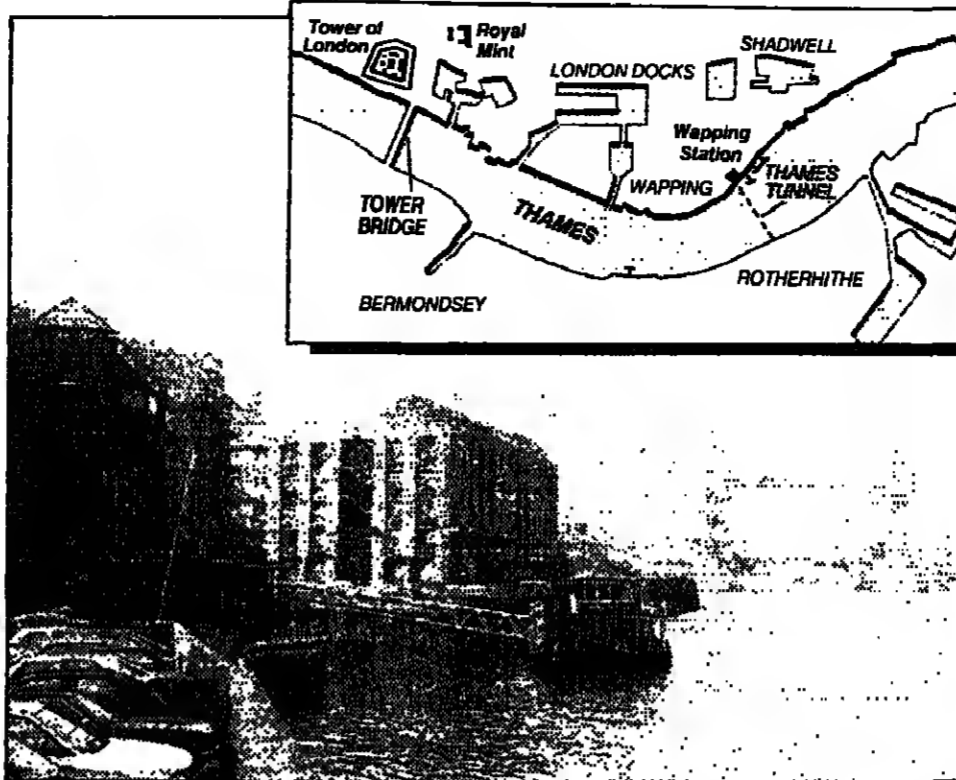
The decision on where to buy property in London breaks down into two broad choices. The first alternative is the traditional upmarket areas, where prices are already high and further appreciation seems likely. The second are those areas, mostly immediately surrounding the financial center in the City of London, where the initial outlay is lower and the risks greater, but the potential for large capital appreciations is regarded as quite good.

London's "Big Bang" of financial deregulation has revived almost overnight a number of formerly run-down areas around the "golden square mile" of the City of London. The expansion of overseas banks and brokerage houses has brought in thousands of well-paid foreigners. Increased competition for personnel has pushed salaries in financial services to unprecedented heights.

In addition, a shift to longer working hours has intensified the demand for housing close to the City.



New Concordia Wharf development in the Docklands area, shown by inset. Tower Bridge is in the background.



All of these forces have pushed up prices for desirable houses and apartments. The most spectacular example is Docklands, as the broad expanse of land along the Thames to the east of the City is known.

Docklands' eight square miles (about 21 square kilometers) of property, much of it derelict, has been on the decline for most of this century. Now a series of changes — including the reclamation of decaying lofts

in the Wapping section by a New York-style, moneyed "art" community, the building of a new rail link between Docklands and the City, and the planned construction of a massive office complex on Canary Wharf — have triggered a surge in prices.

"This has been an extraordinary, unprecedented change from an area which had nothing in it a few years ago, to an area which is now starting to achieve

some of the best West End prices," says Martin Carleton-Smith of the real estate agency of the same name. He reports selling two-bedroom flats with river views in Wapping and Bermondsey for as much as \$375,000 to \$450,000. There are numerous examples of prices doubling over the past year.

Some experts believe that the western part of Docklands has seen the best of the boom. They see greater future capital gains further east, in Limehouse, the Isle of Dogs, or Surrey Docks, or north into Hackney.

The boom has also affected areas west of the City, such as the Lloyd Baker estate area, which contains many fine Georgian houses, and Bloomsbury, which has many small apartments ideal as pied-a-terres. Frank Harris, a leading Bloomsbury estate agent, reports that a typical studio in Russell Court in historic Russell Square that sold for the equivalent of \$53,000 just over a year ago would sell today for \$70,000, a rise of more than 30 percent.

Covent Garden is another area where a good location has pushed up prices, and encouraged renovation, giving a further boost to prices.

Mr. Harris notes that areas such as Bloomsbury are much better served by amenities such as gardens, public transport, and good shopping facilities than areas to the east, such as Docklands or Hackney. The same is even truer of the traditionally upmarket areas further west, including Kensington, Chelsea, and Holland Park. Mr. Ringrose, of Phillips & Drew, argues that in view of the international profile of London's property buyers, these are the safest investments. □

## Becoming a Landlord

Buying property in London and renting it out can be rewarding, provided the owner is aware of the peculiarities of the British rental market. Carelessness can be costly. Under the British Rent Acts, it may take literally generations before an apartment tenant can be evicted.

To get around this, most landlords will only let flats to companies. A "company" can be drawn up by a good lawyer or a solicitor, with special clauses in the lease, allowing renovations, drawing up leases and so on. For this service, a letting agent normally charges 30 percent of the rental income. For 15 percent, the agent will manage the property as well, which includes paying the bills and arranging maintenance.

Another problem is income tax. The British Inland Revenue requires letting agents to pay a withholding tax of 29 percent on all rental income, even if the property owner is overseas. But a good letting agent and accountant can help minimize the amount of tax withheld.

Letting agents caution that estate agents, whose interest is in selling a property, are apt to overstate the existing rental value of a property. It is best to get an independent estimate, a service most letting agents will provide with no obligation.

Many experts expect a boom in rents over the next two years. The average return on a good central London property ranges from 5 to 7 percent of the capital value.

## BOURSES

# Profit-Driven Strategies

(Continued from Page 9)

And some of the industry leaders have price-earnings ratios well below average.

After loading up with several of these "lean and mean" companies, Mr. Sass likes Weyerhaeuser Co. the most. Recently restructured, Weyerhaeuser "is poised for a break," he says, with an expected 96 percent increase in earnings this year.

Noting that forest products will benefit from a better economy and a declining dollar, Mr. Einhorn of Goldman, Sachs suggests Union Camp Corp., which should boost profits by 66 percent to \$4.80 a share, and Westvaco Corp., for which he expects a 26 percent rise to \$3.15 a share.

According to Francis Cabour, manager of Fidelity's \$3 billion Puritan Fund, another buy in forest products is Boise Cascade Corp. Analysts recently revised their 1987 earnings estimates for Boise Cascade up to an average \$5.17 a share, a 56 percent increase over last year. "The paper products industry," Mr. Cabour says, "is the best in terms of profit growth."

For the most part, though, the market is "bereft of sleepers," complains Mr. Cabour, who has been taking profits on some issues. Among the few stocks he likes is the radically streamlined Canadian Pacific Ltd., the transportation company, which is expected to see its net income grow by 175 percent this year.

**A**IRLINES ARE ALSO POPULAR among analysts because of industry consolidation and low energy costs. On the top of that list is AMR Corp., the holding company of American Airlines. More or less in line with the consensus, Mr. Einhorn projects profits this year of \$5.50 a share, a 19 percent increase over 1986.

Technology stocks are well-positioned for a comeback, too, analysts say. Mr. Einhorn likes Digital

## Great Expectations

Company	Comments
Equifax Inc.	Mid market "beret of sleepers." Francis Cabour believes this is one of the few attractions left.
Equifax Inc.	This tops the list of Martin D. Sass's "lean and mean" companies now that prospects for forest products companies have improved.
Equifax Inc.	Steven Einhorn expects DEC to be among the major beneficiaries of the comeback in technology stocks.
Equifax Inc.	Shares in the paper products sector have skyrocketed almost double in price, partly to the company's year's earnings increase.
Equifax Inc.	Industry consolidation and low energy costs are helping airlines. Mr. Einhorn believes gains will be most obvious in American Airlines.

\*Estimates of per-share earnings gains based on consensus view compiled by Institutional Brokers Estimate System.

Equipment Corp., with an estimated earnings gain this year of 68 percent to \$8.10 a share. Of 35 analysts following DEC, 28 recently increased their estimates for this year's profits.

"The cycle will pick up for the computer industry," agrees Mr. Sass. With projected earnings of \$8.75 a share next year, he notes, IBM Corp. is selling at 15 times the projected 1987 earnings, "a discount to the market multiple."

David Alger, director of research at Fred Alger & Co., suggests Ashton-Tate Co., the software producer. Another rapidly growing company, Ashton-Tate's per-share earnings are expected to rise 42 percent this year to \$1.74. Assuming a P-E of up to 25, the potential appreciation is 60 percent.

Mr. Alger, whose company ranks a list of 1,400 companies by earnings, says there are 110 companies that could have a net gain of at least 40 percent in the next year.

At the top of this list is Triangle Industries Inc., a major aluminum can producer. With current earnings of \$2.50 a share, Mr. Alger says, the stock is "already below the low of the industry's P-E range," which he estimates is 12 to 19 times earnings. Mr. Alger predicts earnings will increase by 37 percent this year, giving the stock an attractive future P-E of 10 and a potential 90 percent gain to investors. □

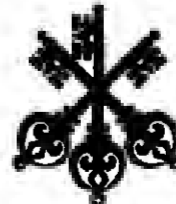


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BOURSES

'Converts' Find a Following

WITH U.S. SHARE PRICES continuing their record-breaking high-wire act, many investors have sought a safety net in convertible securities.

Convertible gives the holder a fixed rate of interest with the right to turn in the security for a specified number of common shares.

Income-oriented investors are particularly drawn to convertibles now that the rise in share prices has reduced the average dividend yield on stocks to about 2.6 percent.

The demand for convertibles has been so strong, though, that the recent spate of new issues offers few bargains, say specialists.

For that reason, many portfolio strategists have turned their attention to seasoned issues. The problem is that seasoned issues tend to be nearer the date or price at which they can be "called."

In addition to call provisions, specialists in convertibles take a look at the trade-off between the yield and the conversion premium.

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in February.

Table with columns for Percent Gain, Price Feb. 27, and Percent Loss, Price Feb. 27. Lists top gainers and losers for New York Stock Exchange.

American Stock Exchange

Table listing top gainers and losers on the American Stock Exchange.

Over the Counter

Table listing top gainers and losers over the counter.

London Stock Exchange

Table listing top gainers and losers on the London Stock Exchange.

Tokyo Stock Exchange

Table listing top gainers and losers on the Tokyo Stock Exchange.

Junk Bonds Make a Comeback

By Anise C. Wallace

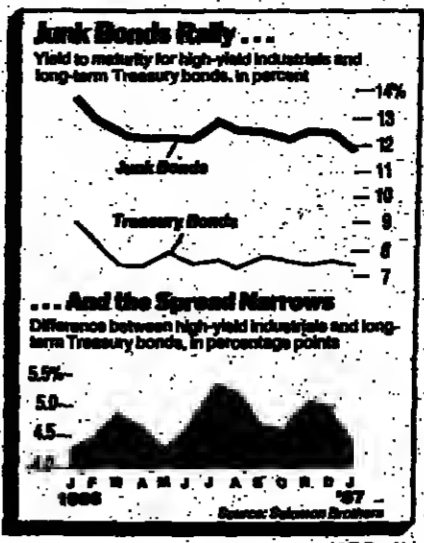
IN THE WEEKS AFTER the Iran F. Boesky scandal broke, junk-bond prices dropped sharply as buyers all but disappeared.

But while those fears have not evaporated, the junk-bond market has roared back. Bond prices have surged, and the yield spread between junk bonds — rated Ba or lower by Moody's — and long-term Treasury issues has narrowed to about 4.5 percentage points.

Because of a sharp contrast from December, when investors were predicting the fall of the junk empire, then bonds practically went begging, creating a "buying opportunity" for investors with strong stomachs.

Why the recovery? Experts cite two factors: First, investors are increasingly confident that the junk market will survive the insider-trading scandal, even if some of the market's participants do not.

The money pouring into junk bonds comes from both institutions and individual investors. Last month, for example, more than 100 institutional investors showed up in New York for a meeting held to promote Holiday Corp. junk bonds.



Rowe Price high-yield bond fund has made this year's most popular choice among the Baltimore firm's fixed-income mutual funds.

All this renewed interest has made some seasoned investors jittery. Some experts point out that many smaller insurance companies and savings and loans are jumping in to buy junk without understanding the risk.

But even more worrisome to some are the continuing questions surrounding Drexel. If the firm, and/or its junk-bond pioneer, Michael R. Milken, become paralyzed by the scandal, Drexel may be unable to create an orderly market.

In Vienna, the Party Hits a Lull

By Ferdinand Protzman

AFTER TWO YEARS of heady advances, the Vienna Stock Exchange seems destined for the doldrums.

Equities analysts are forecasting lower prices and volume, as the boozie struggles to adjust to slower domestic economic growth, diminished foreign participation and the strong Austrian schilling.

In 1987, investors will earn considerably less in the Vienna stock market than in 1985 and 1986, says Gerhard Grund, who heads the securities trading department of the Genossenschaftliche Zentralbank AG.

The Creditanstalt Index, the most-watched measure of the Vienna exchange's performance, has already dropped to a level of 204.36 on Friday, compared with a reading of 231.99 at the beginning of the year.

The declines so far this year contrast sharply with the market's performance in the recent past. The once moribund exchange surprised the world in 1985 as share prices rose a stunning 130 percent to top all global equity markets.

In 1986 prices fell as many investors took profits, but volume rose 50 percent and 10 new issues were introduced. Those achievements were all the more remarkable considering the old-fashioned trading procedures that had prevailed since the fall of the Hapsburg monarchy in 1919.

"It is unfair to measure the market against 1985," says Alfred Regele, director of securities trading for Creditanstalt-Bankverein, Austria's largest universal bank.

to cover losses and finance restructuring measures. The government is also shaping plans for tax reform and spending cuts, but no significant action is expected before 1989.

While Austria has yet to release gross national product statistics for 1986, most economists believe that GNP growth was around 2 percent; down from 3 percent the previous year. For 1987, initial estimates are for GNP growth between 1.5 and 2.0 percent.

On the plus side, interest rates are relatively low, with the nation's discount rate now at 3 percent. Inflation is also low. After a 1.7 percent inflation rate in 1986, economists are predicting a slight increase to 2.3 percent in 1987.

Despite the lackluster economic outlook, analysts say the market is in much better shape now than it was before the boom. The exchange's total capitalization rose to \$4 billion schillings in 1986 from 74 billion schillings in 1985, while the number of Austrian stocks traded rose to 63 from 51, and the number of foreign stocks rose to 29 from 26.

A HANDFUL OF domestic investors, such as Creditanstalt, account for the bulk of daily trading, which has had average volume of about 38 million schillings in recent weeks.

Creditanstalt is cautiously recommended as a buy, although analysts note that the bank had delayed a recent share issue because of the market's general weakness.

The bank has severely pruned its industrial holdings, which have hurt earnings in the past. Of the other banks, Osterreichische Landesbank AG and Genossenschaftliche Zentralbank are seen rising against the trend in 1987.

might step in to fill the void, they would mop up only the best of the junk bonds and leave the ones "no one wants to touch," suggests Michael Metz, investment strategist at Oppenheimer & Co. in New York.

Perhaps the biggest worry for the junk-bond market is a possible recession, which would render many of the highly leveraged companies that have issued the bonds unable to meet interest payments. In fact, investors who specialize in junk bonds admit that this risk is greater than the risks facing Drexel.

"The risk you take is credit risk," says Talton R. Embry, president of New York's Magtan Asset Management.

Robert Wallace, president of Gateway Advisors in San Jose, agrees. "The default rate for junk bonds in 10 years will look different than it does today," he says, suggesting that the rate will increase because of economic problems in specific industries such as energy, steel and containers.

A SA RESULT, Mr. Wallace, whose off-shore mutual fund and private accounts have advanced in value almost 20 percent since the beginning of the year, is concentrating on the junk-bond issues used to finance mergers and corporate restructurings and spin-offs.

He cites as examples the securities issued by Holiday, Owens Corning and Beatrice. "If readers looking at the published materials available about the mergers," he says.

Many professionals are avoiding the junk issues with extremely high coupons — 14 percent or greater — because of the likelihood that they will be called in the next few years, as companies try to replace this high-cost debt with lower-yielding issues.

And, after the bankruptcy of LTV Corp., many also are avoiding junk bonds of companies in troubled "smokestack" industries such as steel.

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Table showing prize breakdown for Lotto 6/49: 1st Prize \$13,890,588.80, 2nd Prize \$428,481.80, 3rd Prize \$37,947.70, 4th Prize \$1,938.30, 5th Prize \$110.00.



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Table showing 6 game boards for Lotto 6/49 with numbers 1-49.

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Form for ordering Lotto 6/49 subscription, including fields for Name, Address, City, Country, Postal Code, and Payment Method.

Advertisement for 17% INCOME FIXED FOR 1 YEAR, featuring details about investment terms and contact information for ICE Marketing AG.

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Vertical sidebar containing various financial news snippets and market data, including 'Covered Choice Investors R...', 'AUGUST SOME OF...', and 'Last Week'.



NASDAQ National Market

OTC Consolidated trading for week ended Friday, Mar 6

Table with columns: Sales, High, Low, Close, Net Change. Lists various stocks and their performance metrics.

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Mutual Funds. Figures of Close of Trading Friday, Mar 6. NEW YORK (AP) - The following securities are the focus of the week's trading... Includes a list of mutual funds and their closing values.

Vertical sidebar containing various financial notices, advertisements, and a 'Seize' logo at the bottom.

هكزان الحجر

New International Bond Issues

Compiled by Laurence Desvillettes

Table with columns: Issuer, Amount (millions), Mat., Coup., Price, Price and week, Terms. Sections include Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

New Soviet Loan Cuts Cost Without Cutting Profit

By Carl Gewirtz International Herald Tribune

PARIS — The Soviet Union returned to the international credit market last week with an artfully constructed loan that established a new low rate of interest without cutting the profit for lenders.

At first glance, Vneshtorg, the government bank for foreign trade, succeeded in driving down its borrowing cost by setting the interest rate at 1/2 point over the London interbank offered rate. Previously, the state bank had paid a split margin to borrow eight year funds, 1/4 point margin for five years and 1/4 point in the final three years.

Now it is offering to pay only 1/4 point throughout for a \$200 million, eight-year loan. In fact, bankers say, there is virtually no change. The new loan is actually shorter and the commission paid to lenders higher, giving banks a return that is about equal to what they earned on the previous transaction in October.

The new fee is 35 basis points, or 0.35 percent, compared with the 25 basis points paid last year. In addition, the previous loan was a so-called bullet, payable in one lump sum at final maturity. Repayment on the new loan starts after the sixth year, giving an average life of seven years.

This means the banks earn 1/4 point less for two years in return for a higher front-end fee of 10 basis points. Bankers calculate that the income they can earn despite that higher fee in other business just about equals what they give up by cutting the margin.

The apparent Soviet strategy is aimed at getting lenders accustomed to the lower interest rate without asking them to accept an actual reduction in charges. That presumably will come in the next operation, when the most visible part, the 1/4 point margin over Libor, will have been established as the benchmark.

At the same time, Vneshtorg is seeking to increase the \$150 million bankers' acceptance facility established last September. Banks are being asked to commit for an additional \$100 million, all of which is aimed to provide short-term trade finance.

Vneshtorg will pay the banks an annual facility fee of 10 basis points on the full amount, irrespective of whether any drawings are made. Banks participating in the facility are to be invited to propose borrowing terms through a tender panel but are committed to providing cash at a maximum cost of 15 basis points over the acceptance commission rate.

Last week, the Organization for Economic Cooperation and Development reported that the Soviet Union, like its East European allies, would be forced to borrow increasingly on the international market to finance Western imports because all are losing market share in international trade and are unable to earn the hard currency to pay for imports.

Unless this trend can be arrested, the OECD said, these countries will have to choose between allowing foreign borrowing to rise to levels that neither the countries themselves nor their lenders may find acceptable or sacrificing goals of growth and investment by cutting Western imports.

In the commercial paper market, some bankers report that their appetite for new business is diminishing. "You get to a certain level," one dealer said, "where in order to take on new business you have got to take on additional stuff." But the current level of profitability marketing such paper is not sufficient to justify that expansion, he said.

Nevertheless, there is general agreement that investor appetite continues to grow. The latest entrant into the market is Philips NV of the Netherlands, making its first foray into this segment of the credit market. It has appointed Bankers Trust, Citicorp, Credit Suisse First Boston and Swiss Bank Corp. to market up to \$300 million of Eurocommercial paper.

Kyowa Bank Ltd. of Japan appointed Chase Manhattan to arrange a certificate of deposit program for up to \$100 million. The paper will have maturities of one, three and six months. The facility is divided into two sections, committed and uncommitted. The committed portion has

INTERNATIONAL CREDIT

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Data on Jobs Lower Hopes For Rate Cut

New York Times Service NEW YORK — Better-than-expected U.S. unemployment data have dampened hopes for lower interest rates that had been raised by negative reports on factory orders and leading economic indicators. Interest rates rose and prices fell across a broad front in the credit

U.S. CREDIT MARKETS

markets on Friday, as the unemployment figures proved disappointing to dealers and traders. The Labor Department reported that the U.S. unemployment rate remained at 6.6 percent in February, the same as in January and December. In addition, the rise in nonfarm employment was almost double most predictions, and the factory workweek rose to 41.2 hours, its highest level in more than 20 years.

Earlier in the week, optimism on rates had been buoyed by reports of a 4 percent decline in factory orders and a 1 percent drop in the index of leading economic indicators in February. But Theodore Tung, an economist at the National City Bank of Cleveland, said: "The workweek and factory employment statistics indicate that improved industrial production figures will be reported next Friday, which would make an easing of interest rates by the Fed less likely."

On Friday, the bellwether 7 1/2 percent Treasury bond due in 2016 opened at 99 31/32, down from 100 20/32 on Thursday. It closed at 99 28/32, for a yield of 7.51 percent, while the 7 1/4 percent issue due in 1996 ended at 100 9/32, off 18/32, to yield 7.20 percent.

Among shorter securities, the Treasury's new two- and five-year issues were offered at prices slightly higher than the averages set at the previous week's auctions. The 6 1/4 percent two-year issue fell 5/32, to 99 24/32, to yield 6.39 percent, while the 6 1/2 percent, five-year issue was at 99 12/32, off 11/32, to yield 6.76 percent.

Among Treasury bills, the three-month bill rate rose to 5.65 percent, while the six-month bill advanced to 5.67 percent.

U.S. Consumer Rates

Table with columns: Instrument, Rate, Maturity. Includes items like 1-year Treasury bill, 3-month Treasury bill, etc.

EUROBONDS: Selective Demand for U.S. and Canadian Dollar Issues

(Continued from first finance page)

General Electric Credit Corp., McDonnell's Corp. and Monte Dei Paschi di Siena, the Italian banking group.

White bankers said there was increasing interest in Canadian dollar paper they admitted it was not going into the new issues offered last week. The first zero-coupon bond ever in this sector, called Canada Zero, was packaged by CIBC Ltd. The Canadian bank used Canadian government bonds stripped of interest payments to market 14-year bonds priced at 300 dollars that will be redeemed at 1,000 dollars. The capital gain at redemption is equivalent to an annual rate of interest of 9.31 percent — a level most analysts regarded as too stingy.

As for the U.S. dollar sector, only two issues drew a favorable response. Saab-Scania sold \$150 million of five-year notes at a price of 101 1/8 bearing a coupon of 7 1/4 percent. At the offering, and less the full underwriting fees of 1 1/2 percent, the paper for the Swedish aircraft and automobile manufacturer yielded 9 1/2 basis points, or 0.94 percent, over the yield on comparably dated U.S. government paper.

Although the company's debt is not rated, the margin over the U.S. Treasury yield was considered generous for a household name that investors regard highly.

Exxon Finds Some Bonds Are Forged

United Press International

NEW YORK — Exxon Corp. has uncovered forgeries of zero-coupon notes issued by Exxon Capital Corp. in the Eurodollar market.

Exxon, the world's No. 1 oil company and second largest industrial company, said about 1,900 notes with an aggregate face value of \$19 million and a market value of about \$4 million have been identified as forgeries. The notes are due Nov. 15, 2004.

An Exxon spokesman said Friday that the forged notes are bearer securities, meaning the person in possession is assumed to be the owner.

Most of the legitimate notes are recorded in book-entry form but investors should be warned that the forgeries are circulating and to have any such notes they hold authenticated, Exxon said.

It said the forgeries are being investigated by Morgan Guaranty Trust Co., the paying agent for the issues, Euro-Clear and Cedel, the two major European securities clearing systems, and police in London and Brussels.

Exxon said Euro-Clear "has examined to its satisfaction all notes physically" at its Morgan Guaranty depository in London and "is pursuing the examination for authenticity of new deposits of these notes as they enter the Euro-Clear system."

Exxon said Cedel was reviewing all the notes within its system. At Exxon's direction, Morgan Guaranty is ready to validate any notes in order to establish their authenticity.

Also well-received was the \$100 million of five-year paper marketed by Hoechst, the West German chemical company, at 83 basis points over the U.S. Treasury yield curve. In all, the company raised \$300 million to finance its purchase of Celanese Corp., the U.S. chemical concern. But its \$300 million of seven-year notes, priced to yield 9 1/2 basis points over the Treasury rate, and its \$100 million, 10-year bonds, priced to yield 10 1/2 basis points over the curve, did not go over well.

Those spreads, large as they were, simply were not enough to overcome investor reluctance to commit their funds for more than five years. The 10-year issue had another drawback, its relatively small size. Bankers said that institutional investors were afraid that the secondary market would not be liquid.

IBM Credit Corp. and General Motors Acceptance Corp. attempted to fill the market's desire for short-dated paper, but the terms offered were considered skinny. IBM's \$300 million of three-year

notes were priced to yield 20 basis points over the Treasury curve, in line with the yield on the company's existing three-year issue. But when the new issue hit the market the outstanding paper dropped in price to yield 28 basis points over the curve and the price of the new issue dropped to the same level.

Nevertheless, lead manager Swiss Bank Corp. said it saw good demand from Switzerland and the Middle East. GMAC priced its \$300 million of three-year notes at 48 basis points over the Treasury curve, but bankers said another 10 basis points was needed to be attractive. This issue also traded outside the fees paid to underwriters.

The least well-received of the dollar issues was Fiat Finance & Trade's. The four-year notes were offered to yield 65 basis points over the U.S. Treasury yield — regarded as far too low. Offered at 10 1/8 bearing a coupon of 7 1/4 percent, the notes ended down 2 1/2 points, well outside the underwriting fees of 1 1/2 points. The two-year currency warrants, priced at \$45, to buy

\$500 at a fixed exchange rate of 1.79 DM were considered too expensive and too short.

The floating rate note sector saw its second issue of the year from a U.S. bank, but despite terms that professionals regarded as generous it failed to attract much support. Marine Midland set a coupon of 25 basis points over the three-month London interbank offered rate and paid underwriting fees of 75 basis points. But the paper ended the week trading at a discount equal to the fees, that is down 1/4 point.

These are capital notes, meaning that at redemption holders can be paid in Marine Midland stock or cash. But to pay in cash the bank is obliged to sell stock.

Both the DM and yen sectors were abandoned by international investors, leaving only domestic clients buying such paper. But Japanese bankers say even domestic clients are put off by yen yields below 5 percent, leaving banks with a backlog of unsold paper and a growing pile of unprofitable currency swaps that ultimately will choke the flow of new issues.

Market-Minded Investment Strategies Nikko Securities Announces Expansion of Its European Network New Representative Offices in Milan and Madrid

Our new representative offices in Milan and Madrid will initiate operations on March 9, 1987 to provide added services to international clients. With the opening of representative offices in these two cities, Nikko's international network rises to a total of 21 locations. While our association with clients in Milan and Madrid already has a considerable history behind it, the opening of our new representative offices marks a new chapter in our commitment to better serving clients in these important markets. The expansion of our network brings Nikko's expertise and resources even closer to clients. Few others can match our broad-ranging capabilities in research, for example, and our market-minded perspective has made us one of the leading capital market traders and investment banks worldwide. We are continuing to build an around-the-clock trading capability with seats on the Tokyo, London, New York, and other major securities and futures exchanges. Backed by Nikko's network, comprehensive services, and professionals around the world, our new locations in Milan and Madrid will play an increasingly important role in providing responsive international services.

NIKKO Nikko Securities

Milan Representative Office: Chief Representatives—Kazuo Mayuzumi, Yoshiaki Ezura Via Conservatorio 22-20122, Milan, Italy Tel: 02-77291 Telex: 333840 Madrid Representative Office: Chief Representative—Yuchi Takabatake Paseo de la Castellana, 31, Madrid, Spain TOKYO LONDON ZURICH GENEVA FRANKFURT LUXEMBOURG PARIS COPENHAGEN BAHRAIN NEW YORK SAN FRANCISCO LOS ANGELES CHICAGO TORONTO HONG KONG SINGAPORE SYDNEY SEOUL BEIJING QINGDAO

Table with columns: Company, Bid, Ask. Includes Bitter Corp., Chiron, GoodMark Foods, etc.

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NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Table of NASDAQ National Market OTC Consolidated trading for week ended Friday, listing various stocks and their prices.

Table of international stock market data, including columns for 'Selling', 'High', 'Low', 'Close', and 'Net' for various countries and regions.

Table of international stock market data, continuing from the previous table with more stock listings and their performance metrics.

Table of international stock market data, listing additional stocks and their market activity.

Vertical text on the right side of the page, possibly a continuation of an article or a separate column of text.

Advertisement for International Herald Tribune subscription, featuring a large '50%' discount and the text 'Save up to 50% or more off your newsstand price when you subscribe for 12 months to the International Herald Tribune'.

Table titled 'Your Savings' showing subscription rates for various countries (Austria, Belgium, Denmark, etc.) with columns for 'Country', 'Currency', '12 months (+2 months FREE)', '6 months (+1 month FREE)', '3 months (+2 weeks FREE)', 'Subscription price per copy\*\*', 'Newsstand price per copy', and 'Total'.

\* In these countries, hand delivery is available in major cities on publication date. For details and rates, please check here and fill in your address below.

Subscription form for International Herald Tribune, including fields for name, address, city/country, and a coupon to be filled out and mailed.

Table titled 'Euromarts At a Glance' showing market data for various European markets, including columns for 'Country', 'Market', and 'Value'.

Table titled 'Eurobond Yields' showing yields for various Eurobonds, including columns for 'Country', 'Maturity', and 'Yield'.

Table titled 'Weekly Sales' showing weekly sales figures for various markets, including columns for 'Market', 'Sales', and 'Change'.

Table titled 'Liber Rates' showing exchange rates for various currencies, including columns for 'Currency', 'Rate', and 'Change'.

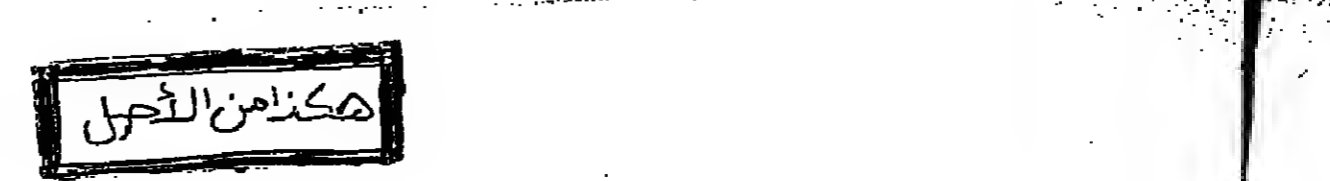
Table titled 'Treasury Bonds' showing yields for various Treasury bonds, including columns for 'Maturity', 'Bid', 'Ask', and 'Yield'.

Table titled 'International Bond Prices' showing prices for various international bonds, including columns for 'Country', 'Maturity', and 'Price'.

Table titled 'Yen Straights' showing yields for various Yen bonds, including columns for 'Maturity', 'Bid', 'Ask', and 'Yield'.

Table titled 'Eurobond Yields' (repeated) showing yields for various Eurobonds, including columns for 'Country', 'Maturity', and 'Yield'.

Vertical text on the right side of the page, possibly a continuation of an article or a separate column of text.





BELL: Getting to Market

(Continued from first finance page) Think the labs have a wonderful opportunity. But with the door open to them to impact the marketplace, we're really not seeing much.

Mr. Goldman sees a parallel between AT&T today and Xerox in the 1970s. Mr. Goldman was instrumental in founding Xerox's Palo Alto Research Center, perhaps the most creative computer research laboratory of the 1970s.

Yet Xerox never quite succeeded in capitalizing on its technologies, because of conflicting corporate priorities and the burdens of technology transfer.

Neither AT&T nor Bell Labs sees it quite that way. AT&T's president, Robert Allen, said, "I've been very pleased by the Bell Labs responsiveness to the new environment. It's responded better than I expected."

Mr. Allen said he would grade the Bell Labs efforts at technology transfer a "solid B."

But Mr. Bell of the National Science Foundation said, "I call that grade inflation. I'd have a hard time giving them a B. Besides this is really a pass-fail marketplace, where the only grades are pass or fail."

Bell Labs is still adjusting to that marketplace. Regulatory restrictions following the breakup prevented researchers and development people in different parts of the company from communicating with each other.



Nobel prize winners: John Bardeen, left, William Shockley and Walter H. Brattain at Bell Laboratories in 1948.

usually disappearing as regulatory barriers eroded. AT&T and Bell Labs say they are working aggressively together to bring ideas to market far more rapidly and cost effectively.

"We realize that isn't a monopoly and that we don't have the luxury of time we once did," Mr. Buchsbaum said. "We're working to reduce the product development cycle. We used to do things in a serial process; we have to telescope things into a much shorter time frame."

AT&T now encourages the labs to work with AT&T's marketing and manufacturing people. "I think this management system is getting progressively better," said Wayne Weeks, president of AT&T Network Systems.

The transfer from the laboratory to the factory floor "remains the single biggest bottleneck," he said. One reason, both AT&T and Bell Labs employees acknowledge, is that, for the most part, people do not join Bell Labs to create market-

Poland Makes All the Right Noises for IMF Relief

By Michael T. Kaufman

New York Times Service

WARSAW — The Polish government gave a nod of sympathy last week to Brazil but choked back any impulse to follow suit and suspend debt service payments.

Instead, the Poles are pinning their hopes for economic relief on tough discussions with the International Monetary Fund and the World Bank.

Brazil suspended interest payments Feb. 20 on \$68 billion owed to commercial banks.

Jerzy Urban, the Polish government spokesman, declared that Poland could understand Brazil's frustrations and actions and that Poland would be even more justified than Brazil in taking the same course because its economy had been damaged by five years of Western sanctions with their punitive trade and credit restrictions.

But Mr. Urban emphasized that Poland would continue to honor all its obligations. Wladyslaw Baka, the head of the Polish National Bank, who has just completed preliminary talks with the International Monetary Fund and the World Bank, said that he "found a good deal of understanding for Poland's difficult economic situation."

But Mr. Baka is seeking more than sympathy. His government, which was readmitted to IMF membership last June after it quit 36 years ago, is eager for a long-term program of IMF credits to stabilize an economy that is saddled with huge debt, low export earnings, deteriorating factories and an uninspired work force.

Before the readmission was granted, Poland raised some food prices, devalued its currency and curbed some subsidies.

But those measures are not expected to satisfy the IMF. Polish government economists expect the IMF to require major adjustments before loans are offered.

At the moment, most economists here are concentrating on the debt burden as the most pressing of many related economic problems. Poland owes about \$35 billion to Western countries and banks. The yearly interest runs to about \$3 billion, while the country's ability to pay, that is, hard currency earnings minus the cost of imports, runs to \$1.5 billion to \$2 billion. This

In anticipation of the tough conditions the IMF will be seeking, economic planners are discussing reform and austerity measures.

means that even with no new borrowing the total debt continues to grow. The recent decline in the value of the dollar has also boosted Polish debt, since much of it is denominated in currencies other than the dollar.

Polish economists are aware that their government stands the best chance of obtaining medium-term IMF relief if it meets its interest payments as rescheduled by the so-called Paris Club of its creditors last June. But it cannot meet the revised schedules unless it receives IMF help.

Last June Western bankers and Polish officials agreed to reschedule \$1.62 billion in principal due in 1986 and 1987 to commercial banks. It was the second time that the debt, which is owed to around 600 Western banks, had been rescheduled.

One European diplomat who monitors Poland's economy noted that "in the matter of debt repayment as well as so many other aspects of the Polish economy, what seems to be necessary often appears impossible."

Adhering to revised schedules for debt repayment is viewed by

Morocco Wins Delay on Debts To Governments

RABAT, Morocco — The Moroccan government's industrialized creditor nations have agreed to delay \$900 million of debt repayments originally due in the next 15 months, Morocco's news agency said Sunday.

The agreement, reached at a meeting Friday with 11 countries of the so-called Paris Club, allows Morocco to postpone over 10 years debts falling due from March 1987 to June 1988. The accord includes a five-year grace period when Morocco will not repay any principal.

Finance Minister Mohamed Berrada told the Paris Club the kingdom needed to reduce its immediate repayments to achieve higher economic growth.

Morocco's difficulties with its \$14 billion foreign debt stem partly from a collapse in prices for phosphate, one of its major exports. Last year, it rescheduled about \$1.6 billion in medium-term loans to commercial banks.

In December, the International Monetary Fund approved a \$276 million loan to aid economic expansion.

Wall Street Review

Table with columns for AMEX Most Actives and NYSE Most Actives, listing various stocks and their performance metrics.

Table with columns for AMEX Sales and NYSE Sales, showing weekly sales figures.

Table with columns for AMEX Diaries and NYSE Diaries, showing daily trading volume.

TWA: Airline Says New Proposal Will Meet Guidelines

(Continued from first finance page) ment would continue to consider TWA's request for approval of its purchase of USAir stock through an independent voting trust.

USAir said in a statement late Friday that TWA's takeover effort "is in direct violation of the Federal Aviation Act." It added, "TWA's actions make a mockery of the regulatory process and amount to one more example of a corporate raider flouting the law by abusing the governmental process for personal gain."

Matthew V. Scoozza, the assistant transportation secretary for policy and international affairs, said the Transportation Department

management official at Pan American World Airways about whether the two could combine. Pan Am, like TWA, is primarily an international carrier.

David Shipley, a spokesman for USAir, declined to comment. USAir has said TWA's bid is an attempt to interfere with its takeover of Piedmont Aviation Inc. for \$1.65 billion in cash and stock. Mr. Icahn made his surprise offer on Wednesday when Piedmont's board was meeting to decide on the USAir offer, a decision it then delayed.

Mr. Icahn has said he might consider a merger involving all three air carriers.

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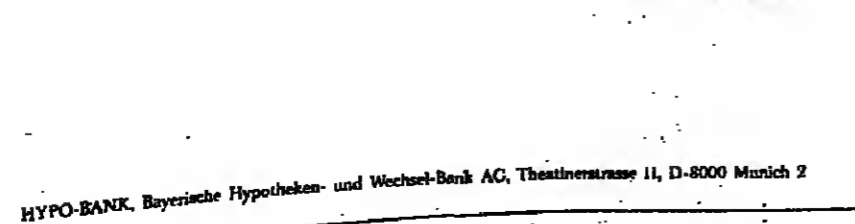
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SPORTS

Drechsler, 4 Others Set Indoor Track Marks

INDIANAPOLIS — Five records have fallen at the first world indoor track and field championships here, with Heike Drechsler of East Germany continuing her hot streak in the United States. Drechsler, who set a world best in the long jump last weekend in New York, won the women's 200-meter dash on Saturday in a world-best 22.27 seconds.

SPORTS BRIEFS

Zurbriggen Wins World Cup Downhill Title

ASPEN, Colorado (Combined Dispatches) — Pirmin Zurbriggen led a Swiss sweep of the top three places to win a downhill race here Saturday and add the World Cup downhill title to the overall crown he captured a week earlier. Zurbriggen, 24, was timed in 1 minute, 47.29 seconds down the icy, bumpy course, ahead of Swiss teammates Daniel Mahrer and Karl Alpigier.

Langer 2-Shot Leader in U.S. Golf Tourney

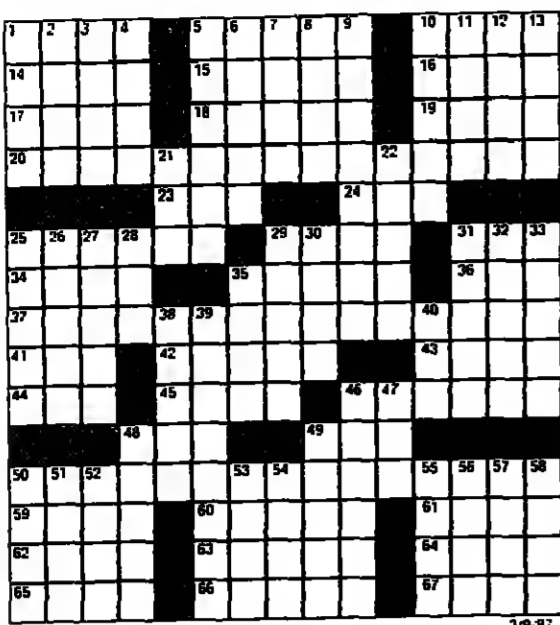
CORAL SPRINGS, Florida (AP) — Bernhard Langer contended successfully with a rain-delayed start, slow play and his own erratic putting to maintain a two-stroke lead after Saturday's third round of the Coral Springs golf tournament. The West German's 70 put him at 207, 9-under-par for three trips over the Tournament Players Club at Eagle Trace.

Clemens Walks Out

WINTER HAVEN, Florida (AP) — Roger Clemens of the Boston Red Sox, the American League's most valuable player and Cy Young Award winner, failed to report on Saturday, 24 hours after walking out in a salary dispute. On Friday, he told Manager John McNamara he wouldn't pitch against Detroit in Saturday's pre-season opener, and left the ball park with his gear.

Solution to Friday's Puzzle

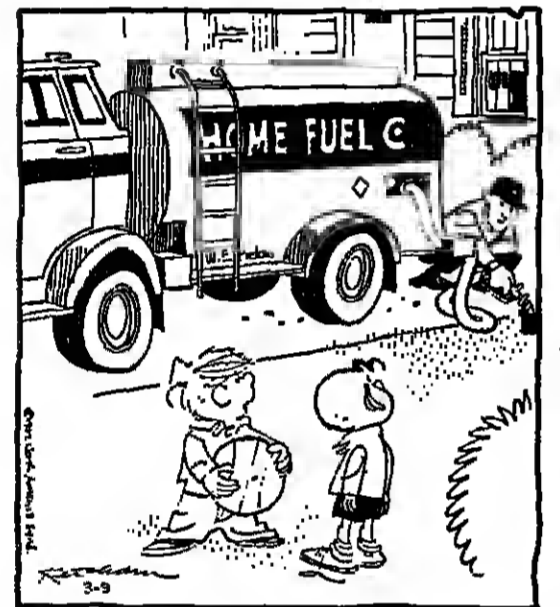
ABEL SHEAF IMAIM RANT CAPRA MULE MATTERHORN PTAS SLEEVE SATIATES REEF SAILE REMANDED INERTS OVETT REELS LAT ROTE CALMS VASE TIRT SALVE DENTE CAESAR ENGENDER RENDS DATE GONGEALS PEWEWE OBIT MITTERRAND POCO OGLER ECTO SEHR MOODS DIOM



- ACROSS 1 Gypsy — 5 Driving force 10 King or Alda 14 Away from the zests 15 Late, in Siena 16 Pottery 17 Cauterize 18 Church instrument 19 On the briny 20 Windy-day advice 23 — Moines 24 Opposite of arr. 25 Astonishes 29 President of Albania 31 Possesses 34 Like Silver's rider 35 Patron 36 Unit 37 Mitchell masterpiece 41 Canon follower 42 Pierre's notions 43 Large land mass 44 Harrison or Reed 45 Retreats 46 Weasel's cousin

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DENNIS THE MENACE



"I DON'T KNOW WHY OUR HOUSE ALWAYS NEEDS OIL. IT NEVER GOES ANYWHERE."

WEATHER

Table with columns for EUROPE, ASIA, AFRICA, LATIN AMERICA, NORTH AMERICA, MIDDLE EAST, and OCEANIA, listing high and low temperatures for various cities.

MONDAY'S FORECAST — CHICAGO: Moderate. FRANKFURT: Partly Sunny. LONDON: Partly Sunny. NEW YORK: Partly Sunny. PARIS: Partly Sunny. TOKYO: Partly Sunny. WASHINGTON: Partly Sunny.

WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

Trading on the Amsterdam stock exchange turned stronger late last week under the influence of year-end company results. The ANP-CBS General Index finished at 267.4, compared with 264.1 the previous Friday, with total turnover reaching 4,561 billion guilders, against 4,472 billion the previous week.

Milan

Uncertainty surrounding Italy's political stability after the resignation of Prime Minister Bettino Craxi last week made investors wary, and Milan stocks edged downward in light trading. The Comit Index closed at 682.72, compared with the previous week's close of 684.92, and the Milan exchange index, which briefly passed the 1,000 mark late last year, was fixed at 940, down 3.

Paris

The Paris Bourse soared to record heights last week, as the CAC index reached a new peak of 447.7 on Thursday before ending the week at 442.2 on Friday, against 429.1 a week earlier. Analysts said activity on the French market was now robust enough to permit significant selling and buying without provoking dramatic price fluctuations, a characteristic much appreciated by foreign investors.

Frankfurt

Share prices on the Frankfurt stock exchange gained 2 percent last week, with the Commerzbank index gaining 42.9 points to finish at 1,754.6. While the market appeared reassured by the stabilization of the dollar, analysts said exchanges in Tokyo, New York, London and Paris would have to fall before investors begin to buy West German shares in great numbers.

Singapore

The bull run at the Singapore stock market continued for the third consecutive week and strong buying interest saw the three-year-old record high of the Straits Times industrial index surpassed. The index rose to a record 1,073.00 points Thursday to surpass the previous high of 1,071.91 set on Feb. 8, 1984.

Hong Kong

A week of hectic trading at the Hong Kong stock exchange ended Friday with much of the gloss taken off the Hang Seng index. The Hang Seng closed at 2,798.64, down 79.23 points on the week, while the broader-based Hong Kong index closed at 1,792.71, a loss of 48.49 points.

Tokyo

Share prices kept rising on the Tokyo Stock Exchange last week, with the key market indicators hitting record highs five sessions in a row before sustaining sizeable losses Friday and recovering somewhat in half-day trading Saturday.

London

Although continued pre-budget optimism and a promising economic outlook initially boosted equities last week on the Stock Exchange, profit-taking and the Bank of England's apparent reluctance to signal lower interest rates overshadowed the tone.

Zurich

The Zurich stock exchange showed a modest gain last week, a trend analysts said could continue provided the dollar does not plunge. The Credit Suisse index ended the week at 535.2, just up from 530.1 a week earlier, while that of Swiss Bank Corp. rose to 637 points from 627.8.

PEANUTS



BLONDE



BETLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



CLUB: Coach Bob... Tyne Bogues (13... Johnson in the ACC... Deacons fell to North...

SCOREBOARD

A large table containing sports scores and statistics for various events, including basketball and football.

Advertisement for CHIVAS whisky, featuring a bottle and the text 'What word best describes it?' and 'هك زمان الخمر'.

SPORTS

A Double Dose of Double OT at ACC Tournament

By John Feinstein
WASHINGTON — So here we are at the meaningless Atlantic Coast Conference basketball tournament. You know, the one no one cares about because it doesn't decide an NCAA any more. That must be why Terry Holland had

COLLEGE BASKETBALL
almost no voice left Saturday after his Virginia team pushed North Carolina to the wall — and almost through it. That must be why Dean Smith seemed totally wired for 50 minutes of play.

They say that the best day in sports is the semifinals of the NCAA tournament. Bet this: March 28 in New Orleans's Superdome will have to go a long way to top March 7 in the Capital Centre in Landover, Maryland.

Did he disagree with a couple of calls? Sure. "But in a game like that one," he said, "how can you complain about the calls? It was a good basketball game as you could ask for."

Smith was less gracious. "I didn't think I was that bad," he said when asked about his protesting, bellowing bench performance that led to a technical foul late in the second half.

defense. If you want to know what I mean, come watch the tape with me," said Smith, asserting that some of the Cavaliers push and hold away from the ball.

But principally on Saturday, four basketball teams went out and played as hard as they could for as long as they could.

[After Williams's desperate baseline hook tied the game at the first overtime buzzer, Kenny Smith's six-foot jumper with one second left in the second won the first semifinal for North Carolina, The Associated Press reported.

[Virginia led by as many as 11 points in the first half and by eight points in the second half. But North Carolina caught up with a 10-2 spurt led by Wolf, who finished with 27 points.

[In the second game, Bennie Bolton scored four of his 16 points in the second overtime, including two free throws with eight seconds left, to lead North Carolina State. Bogues had 17 for Wake Forest.]

"We were tired just watching the first game," said the North Carolina State coach, Jim Valvano. "That was a classic. I gave my team three pep talks. We'd go out, fired up, ready to go, then they'd play another overtime. Finally I just said the hell with it."

Wake Forest-North Carolina State was a final showcase for Bogues, as memorable a player as the ACC has seen.

He is only 5-feet-3 (1.61 meters), but Bogues transcends height. The only shame in Wake Forest's loss was that there was no chance for

minutes and the Rebels breezed through the championship game of the Pacific Coast Athletic Association tonray with their 18th straight triumph.

Michigan 104, Purdue 68: In Ann Arbor, Michigan, Antoine Joubert scored 30 points and Michigan prevented No. 3 Purdue from winning its first outright Big Ten title since 1969. The Boilermakers finished in a tie with Indiana in the Big Ten, and Indiana received the league's automatic NCAA bid because it last missed the tournament more recently than Purdue.

Indiana 90, Ohio State 81: In Bloomington, Indiana, Steve Alford scored 22 points and Rick Callaway added 20 to rally No. 4 Indiana from an eight-point deficit midway through the second half.

Georgetown 84, Providence 66: In New York, the No. 7 Hoyas advanced to the final of the Big East tournament against Syracuse. Reggie Williams had 22 points and 11 rebounds for the Hoyas.

Syracuse 99, Pittsburgh 85: In New York, the No. 10 Orangemen got a tournament-record 35 points from Sherman Douglas to stop No. 11 Pittsburgh.

Alabama 87, Auburn 68: In Atlanta, the No. 9 Crimson Tide reached the Southeastern Conference tournament final against Louisiana State. Jim Farmer sank three consecutive 3-point baskets to trigger a 4-2 second-half burst for Alabama.

Illinois 77, Michigan State 69: In East Lansing, Michigan, Ken Norman scored 21 points for the 12th-ranked Illini.

Missouri 72, Kansas State 69: In Kansas City, Missouri, the No. 19 Tigers reached the Big Eight tournament final against Kansas. Nathan Buntin scored a career-high 28 points for Missouri.

Kansas 82, Oklahoma 77: In Kansas City, the junior Danny Manning scored 27 points to become the Jayhawks' career scoring leader with 1,901 points, 13 more than Clyde Lovellette.

UCLA 78, California 68: In Los Angeles, No. 18 UCLA gained the final of the inaugural Pac-10 tournament against Washington. Reggie Miller scored 11 of his 28 points in the final 10 minutes for the Bruins after Cal had closed to 67-65.

French Down Scots, Welsh Win

By Bob Donahue
International Herald Tribune

PARIS — It takes three to make a great match, the winning captain aptly said. France, Scotland and referee Keith Lawrence, a New Zealander, were the inspired trio in Paris on Saturday.

In Cardiff, the day's other Five Nations trio had no such luck. Ray Mesgro, a Scot, strained to control a foul-tempered match that Wales dominated against England, 19-12, in mud, rain and bitter wind. Fullbacks kicked five penalty goals (Mark Wyatt five for Wales, Marcus Rose four for England) and Welsh prop Stuart Evans scored a try.

There were five tries in brisk, dry Paris. Under Lawrence's liberal eye, players were too busy winning the ball and running with it to have much time for feuding. From all sides — officials, players, journalists and sundry others — at the banquet Saturday night came the verdict that this had been the best international match in years.

The Scottish coaching staff was impatient, an official said, to study films of the superb attack

FIVE NATIONS RUGBY

then so effective that Duhroca later said France would probably have lost if the match had lasted an extra 10 minutes.

Fallback Gavin Hastings — 14 points in all, including a conversion — finished with four penalty goals from five attempts. He fielded a stick chip from fly-half John Rutherford and passed to his younger brother, center Scott Hastings, for Scotland's second try.

Fifty points is the most in any match in the two teams' 77-year-old series. France chalked up its highest score ever against Scotland, and Scotland's total was its biggest ever in Paris. But Scotland is still without a victory in Paris since 1969 — and England is still without one in Cardiff since 1963.

With three Five Nations Saturdays gone, France is three-for-three and assured of at least sharing first place in the tournament. England is zero-for-three. Scotland, Ireland and Wales are 1-1.

The French will be after the grand slam in Dublin against Ireland on March 21 — but "it will be bloody hard," Scotland's captain, Colin Deans, has warned them — while the Scots host Wales. On April 4, Ireland goes to Cardiff and Scotland finishes at Twickenham against England.

Tyson Defeats Smith, Takes WBA Championship

The Associated Press
LAS VEGAS — Mike Tyson felt good but not satisfied after he added the World Boxing Association heavyweight championship to his World Boxing Council title. Most of the 14,000 who watched Tyson's one-sided, 12-round decision over James (Bonecrusher) Smith here Saturday night were not satisfied either.

"It was a boring 12-round fight," said Tyson. "I thought he'd try to come out there and beat me up and try to win." He said, "He didn't want to fight. He was just trying to survive."

Lou Tabat had Tyson on top by 120-100, while fellow judges Dalby Shirley and José Guzra each scored it 119-107.

A computerized breakdown of the punches showed Smith landed only 51 of 223 thrown while Tyson, the 9-1 betting favorite, connected on 191 of 317.

Smith, 33 and making his first WBA defense, decided not to mix it up with the unbeaten 20-year-old, who was making his first WBC defense.

Smith's best punch may have been a right to the jaw in the final seconds of the final round. It rocked Tyson, but Tyson came back with a left hook.

The short, blocky Tyson did not have the style to make a boxing match out of it, and the 6-foot-4 (1.93-meter) Smith chose not to turn it into a slugfest contest.

The pattern of the fight was set in the first round. Tyson, who had to go the distance for only the third time in 31 pro fights, tried to feint to get inside and work the body and head. But when he got inside, Smith tied him up.

Tyson, who is listed at 5-11½ but appears a couple of inches shorter, was unable to unleash the cluster of punches that had marked his rise to stardom. When not trying up Tyson, Smith circled away, to the displeasure of the crowd.

The best round of the fight was the seventh, which ended with Smith landing a good left and right to the head. Earlier in the round, Smith had connected with a left hook and caught Tyson with a right uppercut. Tyson landed several jabs and a couple of good rights.

Adding to the one-sided decision was the fact that referee Mills Lane deducted one point from Smith in the second and eighth rounds for holding.

Tyson's purse was \$1.5 million, while Smith got \$1 million. Smith won the WBA title with a shocking first-round knockout of Tim Witherspoon last December in



Mike Tyson, right, generating a little action in Saturday night's opening round.

floored Andries four times in the sixth round and once in the ninth. When he went down again in the 10th, referee Ariel Herrera of Panama stopped the fight. The 31-year-old Guyanese native was making his second title defense.

Hearn became the 12th man to win world titles in three weight classifications and the first since 1985, when Wilfredo Gomez won his third title as a junior lightweight.

Hearn, 44-2 with 37 knockouts, has lost only to Sugar Ray Leonard and Marvelous Marvin Hagler. Andries, who won the title on April 30, 1986, in London in a decision over J.B. Williamson, is 28-7-2 with 17 knockouts. He had 15 consecutive fights going into Saturday's bout.

Esparragoza WBA Titleist
Antonio Esparragoza of Venezuela defeated Steve Cruz on a 12th-round technical knockout to win the World Boxing Association featherweight title Friday night in Fort Worth, Texas. The Associated Press reported. Cruz was making his first title defense of the crown he won last June 13 by upsetting Barry McGuigan in Las Vegas.

Esparragoza, who had been named the WBA's No. 1 contender, stopped Cruz with a flurry of punches. Already well ahead on punches, he sent Cruz reeling twice in the 12th before the referee stopped the fight at 2:28 of the round. The first knockdown came moments after the fight was halted so a doctor could examine Cruz's swollen eyelids. After the fight, Cruz could see only through a tiny slit under his left eyelid.

Esparragoza improved to 25-1-3 with 14 knockouts; Cruz is 27-2.

SCOREBOARD

Basketball

Table with columns for U.S. College Results, Saturday, and various college names and scores.

Tournaments

Table listing various basketball tournaments and their results, including Big East, Big Ten, and others.

Hockey

National Hockey League Standings

Table showing NHL Standings for the Wales Conference and Campbell Conference.

European Soccer

Table listing European Soccer results for the English First Division, French First Division, and West German First Division.

National Basketball Association Standings

Table showing NBA Standings for Eastern Conference and Western Conference.

FRIDAY'S RESULTS

Table listing Friday's Results for various sports including basketball, tennis, and baseball.

Tennis

Table listing Tennis results for the West Coast, ATP, and WTA.

World Cup Skiing

Table listing World Cup Skiing results for the Men's Downhill and Super-G.

Transition

Table listing Transition results for Baseball, Basketball, and Hockey.

Exhibition Baseball

Table listing Exhibition Baseball results for various teams.

LANGUAGE

Spuds and Spec-Tators

By William Safire
WASHINGTON — There I was, lying on my back, bubble gum wedged in my cheek, a copy of "Sheena, Queen of the Jungle" held before my deliciously shocked eyes...

WHEN Indiana Senator Richard G. Lugar was campaigning to be ranking Republican on the Senate Foreign Relations Committee...

Within a few months, William E. Geist was writing in The New York Times about the interweaving of baseball, football, hockey and basketball to form "an almost impenetrable shield of sportscasting..."

Robert Armstrong, a leader of the California-based group...

Ailing Huston Keeps Filming

By Aljean Hazretz
New York Times Service
LOS ANGELES — The ranch house in a valley in the foothills of the San Gabriel Mountains...

"The Dead," a short story by James Joyce in which the most momentous thing that happens is that a middle-aged, well-meaning husband learns how little he knows the woman who shares his bed...



Actor looks on as Huston discusses camera angle with director of photography, Fred Murphy.

my Award-winning costume designer Dorothy Jenkins out of retirement. "Is that all right for you, John?" Instead of answering, Huston lurches to his feet...

John Huston gasps for air, racked with the spasms and disbelief of a fish that finds itself stranded on an unexpected shore. He stands frail then, bony shoulders twisting under his white silk shirt...

spite the fact that he can only work six hours a day. His first cut of the movie will be completed four weeks after the last day of production, and the film should open sometime in the autumn...

ANNOUNCEMENTS
ALCOHOLICS ANONYMOUS in English, Paris (0434) 43 54 55, Rome 078 07 20, Westchester (920) 256057
PERSONALS
VIVI MARIA DO CABINE & Jean Marie de Gloria 8 Rodolphe Ninnyo Jacques also married daughters son & legs, also observed by 1986...

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